Office of Audits
Office of Inspector General
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Audit of PBS's American Recovery and Reinvestment Act Sustainability Results

Report Number A150026/P/R/R18003
September 21, 2018

Executive Summary

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Why We Performed This Audit

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided GSA with funding to convert its buildings into high-performance green buildings. GSA's Public Buildings Service (PBS) established the *Minimum Performance Criteria for Recovery Act Projects* in an effort to ensure that Recovery Act modernization projects were converting buildings to high-performance green buildings. As of July 2012, PBS had established 39 minimum performance criteria related to energy and water reduction, indoor environmental quality, and construction materials.

The objective of our audit was to determine whether buildings that received full or partial modernizations under the Recovery Act are meeting their minimum performance sustainability criteria.

What We Found

The Recovery Act provided GSA with $3.2 billion for full and partial building modernizations to convert federal buildings into high-performance green buildings. Although PBS established minimum performance criteria for its Recovery Act projects, PBS did not always implement high-performance green building measures to achieve the criteria, or have the ability to gauge the effectiveness of the measures that were implemented. Specifically, we reviewed seven minimum performance criteria across 15 Recovery Act full or partial modernization projects and found that the projects did not meet 40 percent of the applicable minimum performance criteria. The projects we reviewed represented 49 percent ($1.5 billion) of the $3.2 billion the Recovery Act provided GSA for full and partial building modernizations.

We identified three general reasons that projects did not meet the minimum performance criteria: (1) ineffective management control and oversight, (2) project teams implemented high-performance green building measures that fell short of the criteria, or (3) PBS lacked the data needed to assess whether the projects met the minimum performance criteria.

What We Recommend

We recommend that the PBS Commissioner:

1. Ensure that senior management provides oversight of the implementation of the minimum performance criteria in future capital projects, including documenting approval to waive these criteria.

2. Review Recovery Act projects and implement building improvements needed to meet the minimum performance criteria.

3. Assess results of implemented high-performance green building measures in future capital projects by:
    a. Using appropriate and consistent baselines for energy and water use;
    b. Gathering necessary data and information from contractors and delegated agencies to gauge compliance with criteria; and
    c. Ensuring methods are in place to compare actual building performance against all minimum performance criteria.

In his response, the Commissioner of the Public Buildings Service generally agreed with our recommendations but disagreed with certain audit conclusions. PBS's written comments are included in their entirety as ***Appendix D***. PBS's response included two attachments; however, we did not include those attachments due to the volume of the documentation. We will make the attachments available upon request.

We made certain adjustments to our report based on the information provided by PBS. Those revisions, as well as our specific responses to the Commissioner's comments, are included in the ***Conclusion*** section of this report.

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Introduction

We performed an audit of GSA's Public Buildings Service's (PBS's) implementation of high-performance green building sustainability measures in modernization projects. These projects were funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Purpose

The audit was included in our *Fiscal Year 2015 Audit Plan* as part of the GSA Office of Inspector General's continuing oversight of projects funded by the Recovery Act. The Recovery Act provided GSA with funding to convert its buildings into high-performance green buildings.

PBS established the *Minimum Performance Criteria for Recovery Act Projects* in an effort to ensure that Recovery Act modernization projects were converting buildings to high-performance green buildings. As of July 2012, PBS established 39 minimum performance criteria related to energy and water reduction, indoor environmental quality, and construction materials.

Objective

The objective of our audit was to determine whether buildings that received full or partial modernizations under the Recovery Act are meeting their minimum performance sustainability criteria.

See ***Appendix A*** – Scope and Methodology for additional details.

Background

The Recovery Act provided GSA with funding to convert its facilities into high-performance green buildings, as defined in the Energy Independence and Security Act of 2007 (EISA). EISA defines high-performance green buildings as buildings that reduce energy, water, and material resource use; improve indoor environmental quality; and reduce negative impacts on the environment. Under the Recovery Act, PBS designated high-performance green buildings under three project categories – full and partial modernizations, limited scope, and small (see *Figure 1*).

Figure 1 – High-Performance Green Building Recovery Act Projects

Project Category	Number of Projects	Recovery Act Funding[1]
Full and Partial Modernizations	45	$3,211,751,000
Limited Scope	201	880,014,000
Small	236	196,725,000
Total	**482**	**$4,288,490,000**

Recovery Act high-performance green building modernizations addressed federal mandates for a more sustainable building inventory. In 2006, the *Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding* established the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings* (Guiding Principles). Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management* (January 24, 2007) and Executive Order 13514, *Federal Leadership in Environmental, Energy, and Economic Performance* (October 5, 2009) were in effect at the time of GSA's Recovery Act projects. The executive orders required federal buildings to follow the Guiding Principles.[2]

To adhere to the Guiding Principles, GSA developed minimum performance criteria for Recovery Act-funded projects. These criteria outlined the enhancements needed to adhere to the Guiding Principles and transform federal buildings into high-performance green buildings in a variety of building performance areas, including energy and water use, renewable energy systems, bio-based content in construction materials, and waste management. The criteria also direct projects to achieve a Leadership in Energy and Environmental Design (LEED) Silver certification, at a minimum. As of July 2012, PBS had established a total of 39 minimum performance criteria.[3]

PBS also developed separate requirements for implementing the minimum performance criteria in full and partial building modernizations. In a full modernization, every minimum performance criterion must have been met or waived, as appropriate. In a partial modernization, the minimum performance criteria were applied only as relevant to the individual components designated for repair and alteration under approved project scopes.

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[1] PBS's *Revised American Recovery & Reinvestment Act Spending Plan #12* (June 2015).

[2] In March 2015, Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*, revoked Executive Orders 13423 and 13514 and required the Council on Environmental Quality to revise the Guiding Principles. In May 2018, Executive Order 13834, *Efficient Federal Operations*, revoked Executive Order 13693. As of this audit report date, GSA is developing a plan to modify, replace, or rescind government-wide guidance related to energy and environmental performance. Executive Order 13834 will establish new statutory requirements and require annual reporting on building conformance.

[3] In a December 2016 update, PBS consolidated the number of minimum performance criteria to 21 to conform with the revised Guiding Principles that the Council of Environmental Quality established after Executive Order 13693 was issued.

Examples of individual components in partial modernizations include upgrading heating, ventilation, and air conditioning (HVAC) systems; adding high-efficiency lighting and dimming sensors; and upgrading windows to reduce the load on HVAC systems.

In accordance with PBS's *Minimum Performance Criteria for Recovery Act Projects,* project teams were required to obtain a waiver from the Regional Recovery Executive if they decided not to include an applicable criterion in a full or partial building modernization project. To obtain a waiver, a project team had to send a request for approval to the Regional Recovery Executive, including supporting documentation, as early in the project as possible.[4] The Regional Recovery Executive's approval was required before the project team could proceed to the next project phase. The project team was responsible for maintaining documentation supporting the Regional Recovery Executive's decision in the project file.

PBS's methodology for tracking sustainability progress has evolved since the Recovery Act was enacted. Initially, PBS developed minimum performance criteria checklists, which were spreadsheets that project teams used to indicate which minimum performance criteria would be included in the project. In June 2010, GSA created the Recovery Act High-Performance Green Building Database Online (RAHD) to standardize and facilitate the collection, review, and sharing of design and construction information to evaluate progress towards implementing minimum performance criteria.

In April 2013, PBS replaced RAHD with the Green Building Upgrade Information Lifecycle Database (gBUILD). The gBUILD 1.4 User Guide describes the system's purpose:

> gBUILD standardizes and streamlines [high-performance green building]-related data collection for all project types. By centralizing data across different funding programs, gBUILD enables PBS to monitor a comprehensive pipeline of historical and future projects to proactively coordinate and optimize a portfolio of building investments towards achieving PBS' [sic] sustainability goals at the national and regional level.

While the vast majority of Recovery Act projects are now complete, PBS has started using gBUILD for all modernization and new construction projects. PBS uses gBUILD to help assess and report on compliance with sustainability goals in support of both Recovery Act and non-Recovery Act projects.

[4] With Recovery Act projects nearly complete, Regional Recovery Executives are no longer part of the waiver process. Currently, PBS project delivery subject matter experts review and validate when criteria are omitted from construction projects.

Results

The Recovery Act provided GSA with $3.2 billion for full and partial building modernizations to convert federal buildings into high-performance green buildings. To help ensure that its Recovery Act projects would meet that goal, PBS developed its *Minimum Performance Criteria for Recovery Projects* to identify high-performance green building criteria to incorporate into the initial scoping of all projects. However, we reviewed seven minimum performance criteria across 15 Recovery Act projects and found that the projects did not meet 40 percent of the applicable minimum performance criteria. The projects we reviewed represented 49 percent ($1.5 billion) of the $3.2 billion the Recovery Act provided GSA for full and partial building modernizations.

We identified three general reasons that projects did not meet the minimum performance criteria: (1) ineffective management control and oversight, (2) project teams implemented high-performance green building measures that fell short of the criteria, or (3) PBS lacked the data needed to assess whether the projects met the minimum performance criteria.

Finding – PBS Recovery Act modernization projects did not meet 40 percent of the minimum performance criteria tested.

PBS established *Minimum Performance Criteria for Recovery Projects* to identify high-performance green building criteria to incorporate into its Recovery Act modernization projects. These criteria were meant to help PBS meet federal mandates to work toward a more sustainable building inventory and create high-performance green buildings that reduce energy, water, and material resource use; improve indoor environmental quality; and reduce negative impacts on the environment.

However, the projects that we reviewed met only 51 of the 87 applicable minimum performance criteria that we tested. For some projects, ineffective internal controls allowed PBS project teams to forego high-performance green building measures designed to meet the minimum performance criteria without obtaining management approval. We also observed instances where project teams implemented measures to meet the minimum performance criteria, but the projects failed to meet the criteria. In other cases, PBS lacked the data, metering, or other methods to determine the effectiveness of the implemented measures.

Criteria Tested

We reviewed 15 Recovery Act projects and tested each project's compliance with the following seven minimum performance criteria:

- Energy efficiency;
- Implementation of renewable energy systems;
- Implementation of solar hot water systems;

- Indoor water reduction;
- Outdoor water reduction;
- Implementation of bio-based content into construction; and
- Construction waste recycling.

We found 18 instances where a minimum performance criterion did not apply to a particular project. For example, the solar hot water criterion only applied to full building modernizations, and thus was inapplicable to the five partial building modernizations we reviewed. The outdoor water criterion did not apply to projects we reviewed that had little to no landscaping or need for irrigation. Further, one of the projects in our sample was an infrastructure project where six of the seven criteria did not apply. Given this, we based our conclusions on only those criteria that we deemed applicable to each building.

Projects Did Not Meet Minimum Performance Criteria Due to Ineffective Management Control and Oversight

PBS's internal controls designed to ensure that projects incorporated high-performance green building measures when practicable were ineffective. Due to inadequate management oversight, project teams were able to omit criteria that may have helped meet the Recovery Act's goal of improved sustainability and building performance. Specifically, we found that of the 15 projects we reviewed, PBS did not:

- Implement solar hot water systems for 6 projects;
- Implement renewable energy systems for 6 projects;
- Use bio-based construction materials for 5 projects; and
- Attempt to recycle, salvage, or reuse construction waste for 1 project.

PBS's *Minimum Performance Criteria for Recovery Act Projects* directed project teams to incorporate high-performance green building measures into the scoping of all projects. The minimum performance criteria required that project teams seek a waiver before excluding any applicable criterion. To obtain a waiver, a project team was required to notify the Regional Recovery Executive as early as possible, with supporting documentation, and obtain the Regional Recovery Executive's approval to waive any criterion before proceeding to the next project phase. The project teams were also required to include the approved waiver in the project file.

In our sample of seven minimum performance criteria for 15 Recovery Act buildings, we found 18 instances where PBS project teams did not attempt to meet minimum performance criteria and should have requested a waiver. However, the project teams obtained a waiver in only 1 of these 18 instances. Although project teams cited several reasons for excluding criteria (for example, the criteria fell outside of project scope, yielded an insufficient life cycle cost payback, or was insufficiently funded), they did not request the required waivers to forego these measures. As a result, PBS management may not have possessed the information necessary to make effective decisions about these projects and to evaluate progress in meeting Recovery Act goals.

Projects Fell Short of Energy Savings, Water Reduction, and Construction Waste Recycling Minimum Performance Criteria

We identified eight instances in which PBS attempted to meet minimum performance criteria, but fell short of doing so. Specifically, we found that PBS did not meet:

- The energy efficiency criterion for 5 projects;
- The indoor water use reduction criterion for 1 project;
- The outdoor water use reduction criterion for 1 project; and
- The construction waste recycling criterion for 1 project.

Energy Savings. This minimum performance criterion directs full and partial modernization projects to achieve a 20 to 30 percent reduction in energy use compared to an American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2007 baseline building, or a 20 percent reduction from the 2003 historical building baseline.[5]

We identified five projects that implemented measures to improve energy efficiency but did not meet the minimum performance criterion for energy efficiency:

- Anthony J. Celebrezze Federal Building;
- Federal Center South Building 1202;
- GSA Headquarters Building;
- Lafayette Federal Building; and
- Mary E. Switzer Federal Building.

Although each of the five projects implemented energy efficiency measures, the amount of energy savings fell short of the minimum performance criterion. The results for these projects are identified and discussed in ***Appendix C***, pages C-1 through C-3.

PBS officials told us that these projects did not meet their energy goals for a variety of reasons. These officials noted that, in some cases, Recovery Act projects were only one phase of a larger modernization project, and the full benefit of the implemented measures may not be realized until the full modernization is complete. We also found instances where PBS used baselines that were not part of the minimum performance criterion. For example, some projects used a historical average baseline for energy, instead of the ASHRAE baseline or 2003 historical baseline as directed by the minimum performance criterion.

[5] ASHRAE provides minimum requirements for the energy-efficient design of buildings based on building characteristics such as size and use.

Indoor Water Reduction. The GSA Headquarters Building did not meet the minimum performance criterion for indoor water reduction. The minimum performance criterion directs projects to achieve a 20 percent reduction in indoor water use compared to a plumbing code standard or the 2007 historical building baseline. Although the project implemented indoor water reduction measures, the building experienced an increase in indoor water use. The project team attributed the increased water use to the installation of new chillers in the central air conditioning plant.

Outdoor Water Reduction. The Cesar E. Chavez Memorial Building did not meet the minimum performance criterion for outdoor water reduction. The minimum performance criterion directs projects to achieve a 50 percent reduction in outdoor water use compared to the 2007 historical building baseline. Although the project implemented outdoor water reduction measures, the building came up short of the minimum performance criterion.

Construction Waste Recycling. The U.S. Custom House did not meet the minimum performance criterion for waste recycling. The minimum performance criterion directs projects to salvage, recycle, or reuse at least 50 percent of construction and demolition waste generated on the project. Although the project salvaged, recycled, or reused some waste, the building did not meet the minimum performance criterion.

PBS Cannot Determine the Effectiveness of All High-Performance Green Building Measures

PBS did not have the mechanisms in place to determine if projects are meeting their high-performance green building minimum performance criteria in 10 of 87 applicable instances. As a result, PBS cannot determine the effectiveness of all high-performance green building measures implemented. We found that PBS could not determine:

- Benefits of solar hot water systems for 4 projects;
- Outdoor water use reduction for 1 project;
- Energy efficiency data for 1 project;
- Indoor water use reduction for 2 projects;
- Bio-based construction materials use for 1 project; and
- Construction recycling rate for 1 project.

According to GSA's minimum performance criteria for Recovery Act projects, all criteria within the project scope must be met or waived. However, PBS project teams had no mechanisms in place to determine if the projects achieved 10 of the applicable minimum performance criteria that we tested. For example, the solar hot water systems implemented in four of the projects that we reviewed have a goal of meeting 30 percent of the building's hot water demand. However, PBS could not determine how much hot water the systems were generating because the buildings lacked metering equipment necessary to measure the actual amount of hot water generated through the solar hot water systems.

Outdoor water systems presented a similar issue. One project we reviewed included measures to reduce outdoor water use, but PBS could not determine the effectiveness of these measures because indoor and outdoor water use was not metered separately. Therefore, the project team was not able to determine the savings derived from the outdoor water system implemented.

Furthermore, PBS could not determine if one project met the minimum performance criteria for energy efficiency or indoor water reduction. PBS did not have energy or indoor water use data available for review. PBS delegated the building's operations, maintenance, and alteration to the tenant agency, and that agency maintained all building utility data. We asked PBS to request the building utility data. A PBS official informed us that he made numerous requests for the data from the tenant agency, but that the tenant agency ultimately did not provide the requested information.

Additionally, PBS could not determine the indoor water reduction for another project. For that project, the building was mostly unoccupied because of subsequent construction phases, so proper measurements of water use and potential reduction would have to be done at a later time.

Similarly, PBS could not determine bio-based content use for one project. The project manager said that PBS would require a separate contract to obtain this information from the contractor. For this project, PBS could also not determine the recycling rate. The project manager again said PBS would require a separate contract to obtain the recycling rate from the contractor.

Without mechanisms in place to evaluate the effectiveness of high-performance green building measures, PBS does not have assurance that the measures implemented are effective in saving energy or water, or meeting federal mandates to improve the environmental performance of its buildings. All high-performance green building measures should be tracked to ensure that they are working as intended and that any failures in the measures are detected and addressed.

Conclusion

We audited 15 Recovery Act full or partial modernization projects, which represented 49 percent ($1.5 billion) of the $3.2 billion the Recovery Act provided GSA for these projects. We found that the projects did not meet 40 percent of the applicable minimum performance criteria we tested. The other applicable criteria were either not implemented, not met, or PBS lacked the data to determine if they were met.

PBS has opportunities to ensure that projects are meeting their minimum performance criteria for sustainability through improvements to management control and oversight. In particular, PBS should ensure that senior management is involved in decisions to include or exclude high-performance green building improvements from modernization projects. PBS management should also put controls in place to ensure that future capital projects are better able to meet minimum performance criteria by establishing appropriate baselines for energy and water use, and to gather all data and information needed to track building performance from contractors and delegated agencies.

Additionally, PBS should implement methods to track building performance against all minimum performance criteria. In doing so, PBS could consider enhanced use of existing processes such as its Light-Touch Measurement and Verification process. PBS currently uses this process to identify solutions for underperforming Recovery Act projects that are not meeting energy use goals. Through this process, PBS Central Office personnel and the project's regional team hold discussions on the building and analyze energy data to decide what actions should be taken to improve performance. By further developing this process and ensuring there are processes in place to effectively gauge the results of all building sustainability measures, PBS could be better positioned to identify buildings that are falling short of applicable criteria and take actions to improve performance.

Recommendations

We recommend that the PBS Commissioner:

1. Ensure that senior management provides oversight of the implementation of the minimum performance criteria in future capital projects, including documenting approval to waive these criteria.

2. Review Recovery Act projects and implement building improvements needed to meet the minimum performance criteria.

3. Assess results of implemented high-performance green building measures in future capital projects by:
    a. Using appropriate and consistent baselines for energy and water use;
    b. Gathering necessary data and information from contractors and delegated agencies to gauge compliance with criteria; and
    c. Ensuring methods are in place to compare actual building performance against all minimum performance criteria.

GSA Comments

In his undated response to our report, provided on July 30, 2018, the PBS Commissioner disagreed with three aspects of our report finding.

First, PBS disagreed that it had ineffective management control and oversight of MPC implementation during the Recovery Act. PBS asserted that it had management controls in place during the life cycle of Recovery Act projects. However, PBS was unable to provide documentation supporting this oversight.

Second, PBS did not agree with our assessment of the extent to which the projects we reviewed met all applicable MPCs. PBS stated that it was not necessary or appropriate to meet every MPC for every project. However, our methodology accounted for instances where an MPC was not applicable or was appropriately waived by PBS.

Third, PBS disagreed with certain project-specific findings and provided technical comments supporting its assertions. After review of these comments, we concluded that one project met the MPC for bio-based construction materials and adjusted our report accordingly.

While PBS generally concurred with our report recommendations, it provided that with respect to our recommendation to compare actual performance against all MPCs, it does not agree that it is required to submeter solar water heating systems or outdoor water usage. PBS stated that it is not typically cost effective to submeter these systems. Our recommendation does not advocate for the installation of cost ineffective metering systems. However, as PBS expended $1.5 billion on the sustainability improvements for the projects we reviewed, it should determine the best approach to evaluate actual performance.

PBS's comments are included in their entirety in ***Appendix D***. PBS's response included two attachments; however, we did not include those attachments due to the volume of the documentation. We will make the attachments available upon request.

Audit Team

This audit was managed out of the Real Property and Finance Audit Office and conducted by the individuals listed below:

Marisa A. Roinestad	Associate Deputy Assistant Inspector General for Auditing
Kevin Gallagher	Audit Manager
Timothy Keeler	Auditor-In-Charge
John Foss	Management Analyst

Appendix A – Scope and Methodology

Our audit scope was limited to a judgmental sample of 15 Recovery Act projects. The 15 projects that we sampled represented 49 percent of the spending for PBS's Recovery Act full and partial modernizations ($1.5 billion of $3.2 billion). The sample consisted of ten full and five partial modernization projects. We excluded limited scope projects from the sample because their project scopes include fewer applicable minimum performance criteria.

GSA's Great Lakes, Rocky Mountain, Northwest/Arctic, and National Capital regions received the most funding for Recovery Act full and partial modernizations. Our sample includes the three or four projects with the most funding from each of these regions.

We judgmentally selected a sample of seven minimum performance criteria that we identified as having the greatest impact on building sustainability, while also being objectively measureable. These enhancements include energy and water use, renewable energy systems, bio-based content in construction materials, and waste management. We reviewed our sample of seven minimum performance criteria across the 15 Recovery Act projects to determine if the projects met sustainability criteria.

To accomplish our objective, we:

- Reviewed the requirements of the Recovery Act, Energy Policy Act of 2005, Energy Information and Security Act of 2007, the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings*, Executive Order 13423, Executive Order 13514, *Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding*, GSA's minimum performance criteria for existing buildings, and GSA's minimum performance criteria for new construction/full modernizations;
- Analyzed energy and water use data for the sample projects;
- Reviewed PBS's Light-Touch Measurement and Verification review process, procedures, and related documents;
- Reviewed building baseline data, key performance indicators, and minimum performance criteria statuses and comments in gBUILD;
- Reviewed project file documentation related to energy analysis and LEED certifications;
- Obtained supplementary documentation not found in the project files from PBS's electronic Project Management database and the Energy Usage Analysis System;
- Reviewed prior GSA Office of Inspector General and U.S. Government Accountability Office reports on GSA's sustainability results; and
- Interviewed and obtained documentation from PBS project teams, regional energy coordinators, and Regional Recovery Executives.

Appendix A – Scope and Methodology (cont.)

We conducted the audit between October 2015 and May 2016, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objective of the audit. Identified internal control issues are discussed in the Results section of this report.

Appendix B – Recovery Act Projects in Audit Sample

Building	Region	Modernization Type	Recovery Act Spending
Anthony J. Celebrezze Federal Building	Great Lakes	Partial	$115,521,810
John C. Kluczynski Federal Building	Great Lakes	Partial	$99,673,266
Bishop Henry Whipple Federal Building	Great Lakes	Full	$170,822,328
Birch Bayh U.S. Courthouse	Great Lakes	Full	$69,644,157
U.S. Custom House	Rocky Mountain	Partial	$26,971,549
Byron Rogers Federal Building	Rocky Mountain	Full	$155,925,148
Cesar E. Chavez Memorial Building	Rocky Mountain	Partial	$38,633,013
Denver Federal Center (Infrastructure)	Rocky Mountain	Partial	$63,604,965
Edith Green-Wendell Wyatt Federal Building	Northwest/Arctic	Full	$138,951,200
Federal Center South Building 1202	Northwest/Arctic	Full	$75,088,226
Thomas S. Foley U.S. Courthouse	Northwest/Arctic	Full	$43,349,182
GSA Headquarters Building	National Capital	Full	$165,138,798
Herbert Hoover Building	National Capital	Full	$188,113,424
Lafayette Building	National Capital	Full	$122,410,973
Mary E. Switzer Building	National Capital	Full	$67,003,864

Appendix C – Minimum Performance Criteria Audit Results by Building

Energy Efficiency

For full modernization projects, the minimum performance criterion (MPC) states that buildings should achieve at least a 30 percent reduction in energy use compared to an American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2007 baseline building. ASHRAE provides minimum requirements for the energy-efficient design of buildings based on the building characteristics, such as size and use. For partial modernizations, buildings should achieve at least a 20 percent reduction in energy use compared to an ASHRAE Standard 90.1-2007 baseline building or the actual energy use of the building in 2003.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building			X		
John C. Kluczynski Federal Building	X				
Bishop Henry Whipple Federal Building	X				
Birch Bayh U.S. Courthouse	X				
U.S. Custom House	X				
Byron Rogers Federal Building	X				
Cesar E. Chavez Memorial Building	X				
Denver Federal Center (Infrastructure)					X
Edith Green-Wendell Wyatt Federal Building	X				
Federal Center South Building 1202			X		
Thomas S. Foley U.S. Courthouse	X				
GSA Headquarters Building			X		
Herbert Hoover Building				X	
Lafayette Building			X		
Mary E. Switzer Building			X		
Totals	**8**	**0**	**5**	**1**	**1**

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building's target energy use was 82,783 British Thermal Units per gross square foot (BTU/GSF), which would have been a 20 percent reduction from its 2003 baseline. In 2015, the building's energy use was 85,279 BTU/GSF, which was above the target. As a result, we classified this project as not meeting the MPC at the time of our testing. Subsequently, PBS provided 2017 data showing the building's energy use was 72,869 BTU/GSF, which was below the target.
2. The John C. Kluczynski Federal Building is part of a campus. We calculated its energy target using 2009 historical data of the campus, which was used by the project team. A 20 percent reduction results in an energy target of 78.91 thousand BTUs per gross square foot (kBTU/GSF). In 2015, the campus used 73.84 kBTU/GSF, which was below the target.
3. The Bishop Henry Whipple Federal Building project team used an average of Fiscal Years 2008 and 2009 historical data for its baseline rather than an ASHRAE standard, which the MPC requires for full modernizations. However, because the project reduced energy by 42 percent compared to the baseline, we concluded that the ASHRAE standard would have been met.
4. The Birch Bayh U.S. Courthouse project team used an average of Fiscal Years 2007 and 2008 historical data for its baseline rather than an ASHRAE standard, which the MPC requires for full modernizations. However, because the project reduced energy by 40 percent compared to the baseline, we concluded that the ASHRAE standard would have been met.
5. The U.S. Custom House's target energy use was 13,675 million BTU (mmBTU), which would have been a 20 percent reduction from its 2003 baseline. In 2015, the building's energy use was 13,023 mmBTU, which was below the target.
6. The Byron Rogers Federal Building's target energy use was 26,330 mmBTU, based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 22,950 mmBTU, which was below the target.
7. The Cesar E. Chavez Memorial Building's target energy use was 13,370 mmBTU, based on a 20 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 8,234 mmBTU, which was below the target.
8. The Denver Federal Center was an infrastructure modernization to replace domestic water and fire protection systems, sewer lines, a storm drainage system, and to provide upgrades to the electrical system. The MPC for energy did not apply to this project.
9. The Edith Green-Wendell Wyatt Federal Building's target energy use was 16,388 mmBTU, based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 15,202 mmBTU, which was below the target.

10. The Federal Center South Building 1202's target energy use was 27.65 thousand BTUs per square foot (kBTU/sqft), based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 33.27 kBTU/sqft, which was above the target.
11. The Thomas S. Foley U.S. Courthouse's target energy use was 17,251 MBTU, based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 9,605 MBTU, which was below the target.
12. The GSA Headquarters Building's target energy use was 37,161 MBTU, based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 56,270 MBTU, which was above the target. Although the Recovery Act phase of the project is complete, the second phase of the project has not begun. This second phase of the modernization project may affect energy usage rates.
13. The Herbert Hoover Building's target energy use was 38,238 mmBTU, based on a 30 percent reduction from the ASHRAE standard. We could not determine if the target was met because the project did not have energy use data available for review. The building's operations, maintenance, and alteration were delegated by GSA to the tenant agency. GSA officials informed us that all building utility data is with the delegated agency. We asked PBS to request the building utility data, but PBS never received it from the tenant agency. Although the Recovery Act phase of the project is complete, the project is still ongoing with additional phases that may affect energy usage rates.
14. The Lafayette Building's target energy use was 13,969 MBTU, based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 28,078 MBTU, which was above the target. Although the Recovery Act phase of the project is complete, during audit fieldwork, the project was still ongoing in a second phase that may affect energy usage rates.
15. The Mary E. Switzer Building's target energy use was 39.5 kBTU/sqft, based on a 30 percent reduction from the ASHRAE standard. In 2015, the building's energy use was 45.8 kBTU/sqft, which was above the target.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

Solar Hot Water

The MPC states that for full modernizations, the buildings should have solar hot water systems installed with sufficient capacity to meet at least 30 percent of the hot water demand. This criterion does not apply to the five partial modernization projects.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building					X
John C. Kluczynski Federal Building					X
Bishop Henry Whipple Federal Building				X	
Birch Bayh U.S. Courthouse		X			
U.S. Custom House					X
Byron Rogers Federal Building				X	
Cesar E. Chavez Memorial Building					X
Denver Federal Center (Infrastructure)					X
Edith Green-Wendell Wyatt Federal Building		X			
Federal Center South Building 1202		X			
Thomas S. Foley U.S. Courthouse		X			
GSA Headquarters Building				X	
Herbert Hoover Building		X			
Lafayette Building				X	
Mary E. Switzer Building		X			
Totals	**0**	**6**	**0**	**4**	**5**

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building was a partial modernization project and this MPC did not apply.
2. The John C. Kluczynski Federal Building was a partial modernization project and this MPC did not apply.
3. The Bishop Henry Whipple Federal Building implemented a solar hot water system designed to meet 60 percent of the building's hot water demand. However, there was no way to determine the actual amount of hot water generated by the system.
4. The Birch Bayh U.S. Courthouse project did not include a solar hot water system.
5. The U.S. Custom House was a partial modernization project and this MPC did not apply.
6. The Byron Rogers Federal Building implemented a solar hot water system designed to meet 30 percent of the building's hot water demand. However, there was no way to determine the actual amount of hot water generated by the system.
7. The Cesar E. Chavez Memorial Building was a partial modernization project and this MPC did not apply.
8. The Denver Federal Center was an infrastructure modernization to replace domestic water and fire protection systems, sewer lines, a storm drainage system, and to provide upgrades to the electrical system. The MPC for solar hot water did not apply to this project.
9. The Edith Green-Wendell Wyatt Federal Building project did not include a solar hot water system.
10. The Federal Center South Building 1202 project did not include a solar hot water system.
11. The Thomas S. Foley U.S. Courthouse project did not include a solar hot water system.
12. The GSA Headquarters Building implemented a solar hot water system designed to meet 67 percent of the building's hot water demand. However, there was no way to determine the actual amount of hot water generated by the system.
13. The Herbert Hoover Building project did not include a solar hot water system.
14. The Lafayette Building implemented a solar hot water system. However, there was no way to determine the actual amount of hot water generated by the system.
15. The Mary E. Switzer Building project did not include a solar hot water system.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

Renewable Energy

The MPC directs project teams to plan for on-site renewable energy systems, such as photovoltaic, wind, geothermal, or solar hot water.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building		X			
John C. Kluczynski Federal Building		X			
Bishop Henry Whipple Federal Building	X				
Birch Bayh U.S. Courthouse		X			
U.S. Custom House		X			
Byron Rogers Federal Building	X				
Cesar E. Chavez Memorial Building	X				
Denver Federal Center (Infrastructure)					X
Edith Green-Wendell Wyatt Federal Building	X				
Federal Center South Building 1202	X				
Thomas S. Foley U.S. Courthouse		X			
GSA Headquarters Building	X				
Herbert Hoover Building		X			
Lafayette Building	X				
Mary E. Switzer Building	X				
Totals	**8**	**6**	**0**	**0**	**1**

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building project did not include renewable energy systems because PBS deemed such to be out of the project's scope.
2. The John C. Kluczynski Federal Building project did not include renewable energy systems because PBS deemed such to be out of the project's scope.
3. The Bishop Henry Whipple Federal Building project team implemented a photovoltaic system and geothermal heating system to meet the criterion.
4. The Birch Bayh U.S. Courthouse project did not include renewable energy systems because the project team deemed such to be out of the project's scope.
5. The U.S. Custom House project team considered photovoltaic panels, but they were not deemed to be cost effective. No other renewable energy systems were implemented.
6. The Byron Rogers Federal Building project team implemented a solar thermal system to meet the criterion.
7. The Cesar E. Chavez Memorial Building project team implemented a photovoltaic system to meet the criterion.
8. The Denver Federal Center was an infrastructure modernization to replace domestic water and fire protection systems, sewer lines, a storm drainage system, and to provide upgrades to the electrical system. The MPC for renewable energy did not apply to this project.
9. The Edith Green-Wendell Wyatt Federal Building project team implemented a photovoltaic system to meet the criterion.
10. The Federal Center South Building 1202 project implemented a geothermal ground source heat pump system to meet the criterion.
11. The Thomas S. Foley U.S. Courthouse project team considered wind generators and solar thermal systems, but did not deem these measures cost effective.
12. The GSA Headquarters Building project team implemented a photovoltaic system to meet the criterion.
13. The Herbert Hoover Building project did not include renewable energy systems because PBS deemed such to be out of the project's scope.
14. The Lafayette Building project team implemented a photovoltaic system to meet the criterion.
15. The Mary E. Switzer Building project team implemented a photovoltaic system and a geothermal heating system to meet the criterion.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

Indoor Water

For full modernization projects, the MPC states that buildings should reduce indoor water use by at least 20 percent compared to a standard established under the Uniform and International Plumbing Codes.[6] For partial modernization projects, the MPC states that buildings should reduce water use for fixtures by 20 percent compared to the standard or to reduce indoor potable water use by at least 20 percent from the 2007 baseline for the building. **Note:** we used the historical baselines identified by the project teams for both partial and full modernization projects. These were the numbers that were available and trackable. PBS did not track any plumbing code standard.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building	X				
John C. Kluczynski Federal Building	X				
Bishop Henry Whipple Federal Building	X				
Birch Bayh U.S. Courthouse	X				
U.S. Custom House	X				
Byron Rogers Federal Building	X				
Cesar E. Chavez Memorial Building	X				
Denver Federal Center (Infrastructure)					X
Edith Green-Wendell Wyatt Federal Building	X				
Federal Center South Building 1202	X				
Thomas S. Foley U.S. Courthouse	X				
GSA Headquarters Building			X		
Herbert Hoover Building				X	
Lafayette Building				X	
Mary E. Switzer Building	X				
Totals	**11**	**0**	**1**	**2**	**1**

[6] The MPC references plumbing code standards based on the Energy Policy Act of 1992, the 2006 Uniform Plumbing Code, and the 2006 International Plumbing Code.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building was a façade project and indoor water reduction was not part of the project's scope; however, the building did achieve a 37 percent reduction from the 2007 baseline.
2. The John C. Kluczynski Federal Building achieved a 40 percent reduction from the 2009 baseline.
3. The Bishop Henry Whipple Federal Building achieved a 57 percent reduction from the 2009 baseline.
4. The Birch Bayh U.S. Courthouse achieved a 44 percent reduction from the average of the 2007-2008 baselines.
5. The U.S. Custom House achieved a 48 percent reduction from the 2007 baseline.
6. The Byron Rogers Federal Building achieved a 36 percent reduction from the 2007 baseline.
7. The Cesar E. Chavez Memorial Building achieved a 34 percent reduction from the 2007 baseline.
8. The Denver Federal Center was an infrastructure modernization to replace domestic water and fire protection systems, sewer lines, a storm drainage system, and to provide upgrades to the electrical system. The MPC for indoor water did not apply to this project.
9. The Edith Green-Wendell Wyatt Federal Building achieved a 66 percent reduction from the 2007 baseline.
10. The Federal Center South Building 1202 achieved full LEED credit for indoor water reduction. Without a way to compare building performance to a baseline, we determined that the LEED credit was sufficient.
11. The Thomas S. Foley U.S. Courthouse achieved a 39 percent reduction from the 2009 baseline.
12. The GSA Headquarters Building is a multi-phased project that is not complete. However, overall water use in the building actually increased since 2007-2008. PBS officials believe that new chillers in the new central air conditioning plant are the cause of the increase in water use.
13. The Herbert Hoover Building is a delegated building, and PBS did not have access to water use statistics.
14. The Lafayette Building project team stated that water use could not be evaluated until all phases of the project are complete and the building is fully occupied. As a result, we could not determine if this MPC was met at the time of our testing. Subsequently, PBS provided 2017 data showing the building achieved a 60 percent reduction from the 2007 baseline.
15. The Mary E. Switzer Building achieved a 30 percent reduction from the 2007 baseline.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

Outdoor Water

The MPC for full and partial modernizations requires PBS to reduce outdoor water use for irrigation by 50 percent compared to a 2007 baseline.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building					X
John C. Kluczynski Federal Building					X
Bishop Henry Whipple Federal Building				X	
Birch Bayh U.S. Courthouse	X				
U.S. Custom House					X
Byron Rogers Federal Building					X
Cesar E. Chavez Memorial Building			X		
Denver Federal Center (Infrastructure)					X
Edith Green-Wendell Wyatt Federal Building	X				
Federal Center South Building 1202	X				
Thomas S. Foley U.S. Courthouse					X
GSA Headquarters Building					X
Herbert Hoover Building					X
Lafayette Building					X
Mary E. Switzer Building	X				
Totals	**4**	**0**	**1**	**1**	**9**

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building was a façade project that did not include outdoor water reduction in its scope.
2. The John C. Kluczynski Federal Building project did not have enough outdoor landscaping to address the criterion.
3. The Bishop Henry Whipple Federal Building project team implemented outdoor water saving measures, but because indoor and outdoor water are not metered separately, we could not determine if the building met the criterion.
4. The Birch Bayh U.S. Courthouse achieved outdoor water savings of 69 percent, according to a LEED scorecard. We could not determine how the savings were calculated, but we considered the project to have met the criterion, based on the LEED scorecard.
5. The U.S. Custom House project did not have enough outdoor landscaping to address the criterion.
6. The Byron Rogers Federal Building project did not have enough outdoor landscaping to address the criterion.
7. The Cesar E. Chavez Memorial Building achieved outdoor water savings of only 30 percent, according to a LEED scorecard. We could not determine how the savings were calculated, but we considered the project to have fallen short of the 50 percent criterion, based on the LEED scorecard.
8. The Denver Federal Center was an infrastructure modernization to replace domestic water and fire protection systems, sewer lines, a storm drainage system, and to provide upgrades to the electrical system. The MPC for outdoor water did not apply to this project.
9. The Edith Green-Wendell Wyatt Federal Building achieved outdoor water savings of 58 percent, according to a LEED scorecard. We could not determine how the savings were calculated, but we considered the project to have met the criterion, based on the LEED scorecard.
10. The Federal Center South Building 1202 project included sustainable "xeriscaping" planting and achieved LEED credit.[7]
11. The Thomas S. Foley U.S. Courthouse project did not have enough outdoor landscaping to address the criterion.
12. The GSA Headquarters Building project did not have enough outdoor landscaping to address the criterion.
13. The Herbert Hoover Building project did not have enough outdoor landscaping to address the criterion.
14. The Lafayette Building project did not include outdoor water reduction as part of the Recovery Act phase of the project. Outdoor water reduction measures will be implemented in a future project phase.
15. The Mary E. Switzer Building project removed all outside irrigation.

[7] "Xeriscaping" is the practice of designing landscapes to reduce or eliminate the need for irrigation.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

Bio-Based Content

The MPC for all Recovery Act buildings relative to bio-based content is to use products with bio-based content according to the U.S. Department of Agriculture's Bio-Preferred Program and made from rapidly renewable resources and certified sustainable wood products. The criterion does not specify a threshold, such as the percentage of products with bio-based content that must be used in the projects.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building		X			
John C. Kluczynski Federal Building	X				
Bishop Henry Whipple Federal Building		X			
Birch Bayh U.S. Courthouse		X			
U.S. Custom House		X			
Byron Rogers Federal Building	X				
Cesar E. Chavez Memorial Building	X				
Denver Federal Center (Infrastructure)					X
Edith Green-Wendell Wyatt Federal Building	X				
Federal Center South Building 1202	X				
Thomas S. Foley U.S. Courthouse		X			
GSA Headquarters Building				X	
Herbert Hoover Building	X				
Lafayette Building	X				
Mary E. Switzer Building	X				
Totals	**8**	**5**	**0**	**1**	**1**

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building project team could not find opportunities to use bio-based content on the façade project.
2. The John C. Kluczynski Federal Building project team documented its use of bio-based content.
3. The Bishop Henry Whipple Federal Building project did not include bio-based content.
4. The Birch Bayh U.S. Courthouse project design, which pre-dated the Recovery Act, did not include bio-based content.
5. The U.S. Custom House project team deemed bio-based content use impractical for the project.
6. The Byron Rogers Federal Building project team documented its use of bio-based content.
7. The Cesar E. Chavez Memorial Building project team documented its use of bio-based content.
8. The Denver Federal Center was an infrastructure modernization to replace domestic water and fire protection systems, sewer lines, a storm drainage system, and to provide upgrades to the electrical system. The MPC for bio-based content did not apply to this project.
9. The Edith Green-Wendell Wyatt Federal Building project team documented its use of bio-based content.
10. The Federal Center South Building 1202 project team documented its use of bio-based content.
11. The Thomas S. Foley U.S. Courthouse project team did not incorporate the use of bio-based content.
12. The GSA Headquarters Building project team did not know if bio-based content was used on the project.
13. The Herbert Hoover Building project team and contractor did not know if bio-based content was used on the project. However, subsequent to our draft report, PBS provided documentation showing that the project implemented bio-based content.
14. The Lafayette Building project team documented its use of bio-based content.
15. The Mary E. Switzer Building project team documented its use of bio-based content.

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

Waste and Materials

The MPC for all Recovery Act projects relative to waste and materials is to salvage, recycle, or reuse at least 50 percent of construction and demolition waste generated on the project.

Building	Project met MPC	MPC was not implemented	Project did not meet MPC	Could not be determined	MPC did not apply
Anthony J. Celebrezze Federal Building		X			
John C. Kluczynski Federal Building	X				
Bishop Henry Whipple Federal Building	X				
Birch Bayh U.S. Courthouse	X				
U.S. Custom House			X		
Byron Rogers Federal Building	X				
Cesar E. Chavez Memorial Building	X				
Denver Federal Center (Infrastructure)	X				
Edith Green-Wendell Wyatt Federal Building	X				
Federal Center South Building 1202	X				
Thomas S. Foley U.S. Courthouse	X				
GSA Headquarters Building				X	
Herbert Hoover Building	X				
Lafayette Building	X				
Mary E. Switzer Building	X				
Totals	**12**	**1**	**1**	**1**	**0**

Appendix C – Minimum Performance Criteria Audit Results by Building (cont.)

See notes below for how we categorized each project's compliance with this MPC:

1. The Anthony J. Celebrezze Federal Building project team abandoned plans to meet the criterion once it determined that LEED certification would not be met. The project had no data for the tracking of waste materials recycling.
2. The John C. Kluczynski Federal Building project met the criterion with a 94.5 percent recycling rate.
3. The Bishop Henry Whipple Federal Building the project met the criterion with a recycling rate in excess of 75 percent.
4. The Birch Bayh U.S. Courthouse project met the criterion with a recycling rate in excess of 75 percent.
5. The U.S. Custom House project did not meet the criterion with a 31 percent recycling rate.
6. The Byron Rogers Federal Building project met the criterion with a 52 percent recycling rate.
7. The Cesar E. Chavez Memorial Building project met the criterion with a 91 percent recycling rate.
8. The Denver Federal Center project met the criterion with an 88 percent recycling rate.
9. The Edith Green-Wendell Wyatt Federal Building project met the criterion with an 87 percent recycling rate.
10. The Federal Center South Building 1202 project met the criterion with a nearly 100 percent recycling rate.
11. The Thomas S. Foley U.S. Courthouse project team met the criterion with a 92 percent recycling rate.
12. The GSA Headquarters Building project team did not have information on recycling rates.
13. The Herbert Hoover Building project met the criterion with an 82 percent recycling rate.
14. The Lafayette Building project met the criterion with a 93 percent recycling rate.
15. The Mary E. Switzer Building project met the criterion with a 78 percent recycling rate.

Appendix D – GSA Comments

GSA

Public Buildings Service

JULY xx, 2018

MEMORANDUM FOR MARISA A. ROINESTAD
Associate Deputy Assistant Inspector General for Auditing
Real Property and Finance Audit Office (JA-R)

FROM: DANIEL W. MATHEWS
Commissioner
Public Buildings Service (P)

SUBJECT: Draft Report - *Audit of PBS's American Recovery and Reinvestment Act Sustainability Results*, A150026

This memorandum is in response to the Draft Audit Report entitled *Audit of PBS's American Recovery and Reinvestment Act Sustainability Results (A150026)*, dated June 21, 2018.
The report identified three recommendations:

1. Ensure that senior management provides oversight of the implementation of the minimum performance criteria in future capital projects, including documenting approval to waive these criteria.
2. Review Recovery Act projects and implement building improvements needed to meet the minimum performance criteria.
3. Assess results of implemented high-performance green building measures in future capital projects by:
    a. Using appropriate and consistent baselines for energy and water use;
    b. Gathering necessary data and information from contractors and delegated agencies to gauge compliance with criteria; and
    c. Ensuring methods are in place to compare actual building performance against all minimum performance criteria.

The following is PBS's response to this report:

<u>Recommendation 1: Ensure management oversight of minimum performance criteria (MPC) implementation in future capital projects, including documenting any approval to waive these criteria.</u>

PBS agrees with this recommendation. In 2018, PBS will consolidate its oversight of high-performance building MPCs, now known as Guiding Principles Criteria (GPCs), into its *P100 Facilities Standards* (P100) waiver process. Waiver/inapplicability requests will be evaluated by Technical Committees and management with decisions documented in GSA's *Green Building Upgrade Information Lifecycle Database* (gBUILD).

PBS does not agree with the finding that it had ineffective management control and oversight of MPC implementation during the American Recovery and Reinvestment Act of 2009 (Recovery). PBS created its MPC checklist as a framework to oversee and document Recovery projects' compliance with environmental mandates including the cross-government *Guiding Principles for Sustainable Federal Buildings*. Regional Recovery Executives and Recovery technical teams repeatedly consulted on the project-specific feasibility and applicability of each MPC. Management controls were in place throughout Recovery projects' 2009-2015 delivery lifecycles. PBS agrees that its methodology for tracking sustainability progress, including MPC compliance, has evolved since the checklist's inception in 2009. Attachment 1 lists PBS's MPC/GPC oversight processes.

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Recommendation 2: Review Recovery Act projects and implement improvements to meet the MPCs.

PBS agrees with the recommendation to continue reviewing Recovery buildings' performance, to identify ways to optimize efficiency within available resources—such as through "Light-Touch Measurement & Verification" reviews, operational oversight, and onsite post-occupancy evaluations. As funds are made available for capital improvement and new construction programs, PBS continues to apply sustainable building practices, incorporating as many improvements as can be funded, and which are cost-effective, within each project's budget. Of PBS's owned and leased buildings that are 5,000 gross square feet or larger, over 20% meet the Guiding Principles, compared to a 15% goal. PBS's Recovery projects and its MPCs helped GSA achieve more Guiding Principles-compliant building space than any other agency.

PBS does not agree with the finding that reviewed projects "met only 50 of the 87 applicable minimum performance criteria" that were tested. It is not necessary, nor always appropriate, to meet every MPC at every project, due to varied scopes and locations. In accordance with the Recovery Act, Executive Order 13514, and PBS policies, Recovery projects pursued all MPCs that PBS management found to be feasible, cost-effective, and/or necessary. Attachment 1 lists the manual and electronic processes used to validate and document which criteria applied or did not apply to each Recovery project. The attachment also addresses project-specific MPC findings regarding Energy Efficiency, Renewable Energy, Indoor Water, and Bio-Based Content.

Recommendation 3a: Use appropriate and consistent energy/water baselines.

PBS agrees with the recommendation to validate the baseline methodology selected by each project team, and to model similar situations consistently. Baselines for Recovery Act Projects were set using the methodology that best fit the conditions of the individual projects. Multiple years of actual performance data were averaged in some cases where single-year baselines would be inaccurate, such as previously vacant buildings. Attachment 1 explains the limited predictive value of modeled baselines and targets.

Since 2015, PBS has used its "Regional Approval Process for gBUILD Data" to review capital projects' reported baselines, scope details, and performance goals, including LEED (Leadership in Energy and Environmental Design) Certification. Management decisions are logged in gBUILD. Attachment 2 contains multiple documents, including a Guiding Principles checklist and the Regional Approval Process for gBUILD Data.

Recommendation 3b: Gather compliance data from contractors and delegated agencies.

PBS agrees with this recommendation. PBS will continue to gather compliance data from contractors and delegated agencies, ensure timely and complete responses, and use this material to help validate MPC compliance. Attachment 1 explains what data is obtained, and addresses a finding about utility bill data.

Recommendation 3c: Ensure methods are in place to compare actual performance against all MPCs.

PBS agrees with the recommendation as it regards the importance of monitoring actual performance against MPCs where cost-effective. The PBS Office of Facilities Management continually tracks operating outcomes as part of its performance oversight of the entire PBS portfolio, including Recovery Act buildings. The PBS Recovery program projects are outperforming overall energy savings goals. Affected facilities are using 19% less energy per gross square foot, and are saving over $60 million in annual utility costs, compared to a pre-project 2008 baseline. Over 20 years, PBS estimates $1.5 billion in saved utility costs. PBS Recovery investments also resolved a sizable $1.4 billion of the repair and alteration backlog, as necessary for long-term stewardship of a diverse portfolio.

PBS does not agree with the specific recommendation to submeter solar water heating systems or outdoor water usage. That was not required by the Recovery Act, the Energy Independence and Security Act of 2007 (EISA), the 2008 Guiding Principles, or the MPCs. PBS policy does not require such a step. In addition, it is typically not cost-effective to separately "submeter" smaller systems like solar thermal water heaters or irrigation systems. PBS has submetered many of its portfolio's larger systems, where the additional investment needed to install and monitor submeters yields more value. PBS disagrees with certain project-specific findings. Attachment 1 explains why some Solar Hot Water and Outdoor Water MPCs were either met or inapplicable.

Thank you for the opportunity to comment on this report. Should you have any questions, please contact Assistant Commissioner Laura Stagner at (202) 969-4071.

Attachments (2)

Attachment 1 - Technical Comments Responding to Specific Audit Findings

Attachment 2 - Guiding Principles Checklist, Sustainability Exemption Oversight Process, Regional Approval Process for gBUILD Data, and Hoover Building Utility Data Transmittal

Appendix E – Report Distribution

GSA Administrator (A)

Commissioner (P)

Deputy Commissioner (P)

Chief of Staff (P)

Regional Administrator (5A, 8A, 10A, WA)

Regional Commissioner (5P, 8P, 10P, WP)

Assistant Commissioner for Project Delivery (PCB)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

October 16, 2018

TO: EMILY W. MURPHY
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA
INSPECTOR GENERAL (J)

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2019

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2018 Agency Financial Report, the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2019.

This year we have identified significant challenges in the following areas:

1. Establishing and Maintaining an Effective Internal Control Environment Across GSA.
2. Enhancing Government Procurement.
3. Maximizing the Performance of GSA's Real Property Inventory.
4. Prioritizing Agency Cybersecurity.
5. Managing Human Capital Efficiently to Accomplish GSA's Mission.
6. Safeguarding Federal Facilities and Providing a Secure Work Environment.
7. Managing Revolving Funds Effectively.
8. Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch.

Please review at your earliest convenience. If you have any questions or wish to discuss our assessment further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact R. Nicholas Goco, Assistant Inspector General for Auditing, at (202) 501-2322.

Attachment

GSA'S MANAGEMENT AND PERFORMANCE CHALLENGES FOR FISCAL YEAR 2019 OFFICE OF INSPECTOR GENERAL

Challenge 1: Establishing and Maintaining an Effective Internal Control Environment Across GSA

GSA faces a significant challenge in establishing a comprehensive and effective system of internal control. Although GSA is required to establish and maintain internal controls through the Federal Managers' Financial Integrity Act of 1982, Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*, our audit reports have repeatedly pointed out that GSA lacks effective internal controls, or has internal controls in place but does not follow them. Without an effective internal control environment, GSA risks noncompliance with laws and regulations, improper reporting of information, inefficiencies, and misuse or poor use of government resources.

During the 1-year period ended June 30, 2018, we issued 18 audit reports and memoranda publicly. Of those 18, 13 noted deficiencies in internal control. The nature and extent of these deficiencies indicates that management attention is needed to develop a more effective internal control environment across GSA. For example:

- We audited the Federal Acquisition Service's (FAS's) controls over compliance with emissions standards in the Office of Fleet Management operations in the Pacific Rim Region. We found that GSA did not have controls in place to ensure compliance with applicable laws and regulations.[1] FAS's Fleet in the Pacific Rim Region did not correctly evaluate the effect of the California Truck and Bus Regulation emissions standards on its fleet and did not take the necessary steps to comply with the regulation. As a result, GSA was fined $485,000 by the Environmental Protection Agency.

- In our audit of an Energy Savings Performance Contract (ESPC) awarded in the Public Buildings Service's (PBS's) National Capital Region, we found that PBS violated the Competition in Contracting Act of 1984 and the competition requirements set forth in the Federal Acquisition Regulation by making a cardinal change to the contract that substantially increased the contract's scope of work for operations and maintenance. This action eliminated price competition and denied opportunities for other contractors. Our recommendations included instituting management controls to ensure that

[1] *FAS's Office of Fleet Management in the Pacific Rim Region Did Not Comply with California State Emissions Regulations, Resulting in a $485,000 Fine* (Report Number A170040/Q/5/P18002, April 19, 2018).

procurements comply with the Competition in Contracting Act of 1984 and the Federal Acquisition Regulation.[2]

- We examined GSA's Computers for Learning (CFL) Program to determine whether GSA has adequate controls in place to prevent ineligible organizations from accessing its CFL website and receiving information technology (IT) equipment intended for eligible schools and educational nonprofit organizations. We found that in administering the CFL website, GSA does not have adequate controls to prevent ineligible organizations from registering and receiving donations of IT equipment. GSA does not perform any eligibility verifications before or after an organization registers on the website as an educational nonprofit. As a result, the CFL Program is susceptible to fraud and misuse. During the year ended June 30, 2016, ineligible organizations registered as educational nonprofits received approximately $2.5 million in federally-owned computer equipment intended to educate children. This represented over 22 percent of the total IT equipment donated to recipients registered as educational nonprofit organizations.[3]

- We audited the Office of the Chief Financial Officer's compliance with the Improper Payments Acts and found that, although GSA complied with five of the six requirements of the Acts, it did not meet its improper payment reduction target for the Rental of Space Program. Additionally, GSA did not accurately test its Purchase Card Program payments, resulting in several errors in reported estimates and figures in its Fiscal Year (FY) 2017 Agency Financial Report tables. Among other things, we recommended that GSA's Chief Financial Officer improve controls over the payment process for Rental of Space and strengthen controls of improper payment testing under the Purchase Card Program.[4]

Further, in their report on GSA's financial statements for FY 2017, the Agency's independent public accountant identified three significant deficiencies associated with GSA internal controls over financial management. Specifically, the independent public accountant reported that GSA did not:

- Monitor Acquisition Services Fund apportionments effectively. As a result, the Acquisition Service Fund budgetary resources for reimbursable activity exceeded the fund's apportioned budget authority by approximately $705 million.

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[2] *PBS National Capital Region's $1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy* (Report Number A150009/P/5/R17006, August 24, 2017).

[3] *GSA Lacks Controls to Effectively Administer the Computers for Learning Website* (Report Number A160118/Q/3/P17003, July 13, 2017).

[4] *GSA Did Not Comply with the Improper Payments Acts in Fiscal Year 2017* (Report Number A170104/B/3/F18004, May 11, 2018).

- Enforce documented system-specific, GSA-wide, and National Institute of Standards and Technology policies and procedures consistently. Consequently, certain access to programs and data controls were not designed and implemented properly or operating effectively in FY 2017.

- Have or consistently enforce monitoring controls over its financial reporting processes, increasing the risk that misstatements will not be prevented or detected in financial records and statements.

Internal control serves as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources. In light of the pervasive internal control weaknesses identified in reports issued by our office and GSA's independent public accountant, GSA management's challenge is to implement a more effective system of internal controls to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

Challenge 2: Enhancing Government Procurement

One of GSA's strategic goals for FY 2019 is to establish itself as the premier provider of efficient and effective acquisition solutions across the federal government. As an integral part of GSA, FAS has significant responsibility in meeting this goal. According to FAS, it leverages the buying power of the federal government to obtain necessary products and services at the best value possible. However, as FAS introduces initiatives to provide more efficient and effective acquisition solutions, it faces challenges in meeting its customers' needs.

In order to meet this and other strategic goals, FAS is continuing several previous initiatives, as well as beginning several others. The initiatives include:

- Supporting the Acquisition Gateway, while driving more business to its contract offerings;
- Transforming the Multiple Award Schedules Program;
- Implementing e-commerce portals;
- Transitioning customers to the new Enterprise Infrastructure Solutions contracts; and
- Consolidating 10 procurement-related systems into a single system.

While these initiatives are intended to help FAS meet its strategic goals, they also significantly change FAS's processes and programs, affecting both its employees and its customers.

Supporting the Acquisition Gateway

In FY 2014, the OMB introduced category management, which is a government-wide initiative intended to eliminate redundancies, increase efficiency, and deliver more value and savings from the government's acquisition programs. To facilitate category management, FAS developed and is overseeing the Acquisition Gateway, an electronic portal for the government contracting community to connect and share acquisition related information. The gateway provides acquisition information such as sample statements of work, related acquisition articles, and transactional prices paid data. Although FAS has invested over $25 million and up to 15 full-time employees between FY 2016 and FY 2017 to establish and continue support of the Acquisition Gateway, government agencies are not required to use it. As a result, FAS is challenged with measuring the success of the gateway and its ability to save government funds.

GSA's *FY 2017 Performance Measures* evaluated the success of the Acquisition Gateway's ability to deliver contracting solutions by emphasizing the number of registered users to the website. However, this is not a good measure because it does not account for what active users contributed to or used from the website, nor whether the website has an overall effect on government procurement. As FAS continues to spend significant funds to support and maintain the Acquisition Gateway, it is challenged to measure the gateway's effectiveness to generate government savings. Also, contrary to the gateway's current intent to provide unbiased acquisition solutions and best practice comparisons, FAS is considering using the gateway to drive business to its own contract offerings. FAS faces challenges to balance the Acquisition Gateway's intended goal to provide unbiased solutions and best practices with its goal to increase revenue from government customers through the use of its contracting vehicles.

Transforming the Multiple Award Schedules Program

Since 2009, FAS has implemented several initiatives to transform its Multiple Award Schedules Program (Schedules Program). These initiatives include "distinct transformation projects" aimed at consolidating schedules, reducing price variability, and easing the buying experiences of user agencies through rule changes. These initiatives will significantly affect the Schedules Program and FAS is challenged to ensure the initiatives are effectively implemented. During this transformation, we continue to highlight the need for strengthened management over the entire Schedules Program.

Consolidated Schedules. In an effort to reduce redundancy and duplication of products, services, and solutions across the Schedules Programs, FAS is working toward consolidating the 24 current schedules down to 1 single schedule and possibly eliminating Special Item Numbers.[5] FAS expects this consolidation to reduce the administrative and contractual burden of maintaining duplicate contracts and allow schedule contractors to provide total solutions without maintaining multiple schedules. FAS has noted several challenges in transforming a program this large. The challenges include a lack of buy-in from all stakeholders, a lack of dedicated resources, excessive costs related to existing systems and the need for new systems, a lack of insight into its own business trends, and legislative restrictions that would require updates and changes.

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[5] Special Item Numbers are a group of generically similar (but not identical) products or services that are intended to serve the same general purpose or function. The products and services within each schedule are categorized and identified by a specific Special Item Number.

Transactional Data Reporting. FAS has implemented the Transactional Data Reporting rule, which was formalized in the Federal Register in June 2016, and is currently a pilot program. Under this pilot, contractors can voluntarily opt to electronically report the prices GSA customers pay for contract products and services. GSA contracting officials and schedule customers can presumably use the transactional data to conduct pricing comparisons, with the goal of reducing price variability. However, using this data for this purpose will be difficult because many of the products and services offered under the Schedules Program are unique and cannot be compared. The transactional data GSA receives also may not provide useful pricing information for contracting officers because of how the data is reported. For example, if a contractor's transactional data submission includes bundled product and pricing information, it will not be useful for price analysis of GSA contract products that are priced as individual components. Furthermore, under the pilot, contracting officers compare a contractor's offered price to a limited subset of prices paid by federal customers on GSA schedule sales, which ignores any comparable commercial activity.

In July 2018, we issued a report on our audit of the evaluation plan and metrics FAS is using to evaluate the TDR pilot. We determined the evaluation plan and metrics will not allow FAS to objectively measure or evaluate whether the TDR pilot is improving the value of the Schedules Program. Specifically, we found that the TDR pilot objectives were not well-defined, some metrics lacked performance targets, and a majority of the metrics relied on data that is not available for use in or evaluation of the pilot.[6] Without the ability to objectively evaluate the pilot, FAS is challenged with making decisions regarding the future of Transactional Data Reporting.

Additionally, the pilot has experienced major changes since it began. First, contractors were initially required to participate if their schedule was selected; however, they may now opt to not participate in the pilot without consequences. Second, the transactional data has not been made available to all category managers and acquisition personnel for their use in awarding and administering schedule contracts. GSA is working to determine what specific data to release to specific parties, which includes GSA acquisition personnel, government-wide category managers, schedule contract holders, and other interested stakeholders.

Contract Awarded Labor Category Tool and the Replacement for the Formatted Product Tool. The Contract Awarded Labor Category Tool is designed to assist contracting officers in evaluating pricing for services. This tool assists contracting officers in conducting market research using a database of government contract prices for approximately 56,000 labor categories on over 5,000 contracts under the Professional Services and IT schedules. This tool allows contracting officers to search contract prices by labor category and filter by education level, experience, and worksite. However, because contractors often use unique pricing on task orders, the tool does not provide the actual government prices paid by labor category or the discounts granted to customer agencies. Furthermore, the tool does not consider factors such

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[6] *Audit of Transactional Data Reporting Pilot Evaluation Plan and Metrics* (Report Number A140143/Q/T/P18004, July 25, 2018).

as geographic location or basic labor category qualification requirements, including specialized experience or skills and mandated professional licensing or certifications, which are essential to ensuring that a valid comparison is conducted.

The Formatted Product Tool (FPT) was designed to reduce price variability on products offered under the Schedules Program, while driving better competition, improving contracting officer efficiency, and reducing vendor burden. However, because several deficiencies led to FPT being cumbersome and extremely time-consuming for contractors with large catalogs, FAS decided to cease its FPT investment. Instead, FAS decided to develop a new solution aimed to achieve many of FPT's objectives. FAS faces a significant challenge to transition from FPT's failure to a new solution that reduces contracting officer burden in processing contracts, simplifies contractor experience in managing schedule offerings, and enhances market research capabilities for government buyers.

GSA *Advantage!*. GSA *Advantage!* is FAS's online purchase portal that allows price comparisons, but suffers from functionality issues. While a recent Naval Postgraduate School study found that GSA *Advantage!* sometimes offers more favorable pricing than Amazon Business, the study did not take into account terms and conditions, minimum buying requirements, and that *GSA Advantage!* pricing was also higher than Amazon Business in many cases.[7] In addition, the study found GSA *Advantage!* users generally had a negative experience when using the website. Specifically, the study found that when it asked users to rate their level of customer satisfaction with GSA *Advantage!*, the users' ratings varied widely between very dissatisfied and somewhat satisfied. FAS has acknowledged that GSA *Advantage!* could benefit from improvements in its search functionality and the quality of product images and descriptions and is looking to improve both buyers' and sellers' experiences with the portal. This is an important challenge as GSA *Advantage!* looks to potentially compete with the future e-commerce portals on particular commodities frequently purchased by federal entities.

As FAS continues to implement these initiatives, it must develop means to ensure they maintain a crucial link to the commercial market. GSA must avoid circumstances in which government customers are paying significantly more for the same products and services purchased commercially.

With these initiatives occurring simultaneously, FAS is challenged to ensure that acquisition personnel have a sufficient understanding of each initiative and are able to implement and use the initiatives as intended.

Implementing Procurement Through Commercial E-Commerce Portals

The National Defense Authorization Act for FY 2018, Section 846, *Procurement Through Commercial E-Commerce Portals*, was signed into law on December 12, 2017. GSA, in coordination with the Office of Management and Budget, is required to establish a

[7] *Amazon Business and GSA Advantage!: A Comparative Analysis* (December 2017).

government-wide program to procure commercial products through commercial e-commerce portals. The program's intent is to enhance competition, expedite procurement, enable market research, and ensure reasonable pricing. GSA intends to implement this program by September 2020 using a phased approach.

The implementation of a government-wide e-commerce portal is a complex endeavor and GSA needs to address multiple issues, including the following:

- Since the law was enacted, GSA and other stakeholders have acknowledged the overarching, significant challenge of ensuring that purchases through the e-commerce portal comply with federal regulation and policy. For example, federal regulations and policy related to competition, data and physical security, and small business usage were established to protect the government and support various public policy initiatives. However, incorporating these requirements for the e-commerce platform could reduce competition when selecting portal providers and negatively affect pricing.

- GSA is also challenged to plan and implement this program without knowing the business volume that will flow through the e-commerce portals. The portals will be an additional contract option for customer agencies but not a mandatory source. As an additional contract vehicle, there is potential duplication of, or competition with, existing procurement programs and contract vehicles (both within and outside of GSA). The unknown business volume can affect the decisions GSA makes in establishing the program as well as the decisions that portal providers and contractors make when seeking to do business through this program.

- In the implementation plan provided to Congress in March 2018, GSA and the Office of Management and Budget recommended four legislative changes that they determined necessary to implement a program to purchase through e-commerce portals. One of these changes is to increase the micro-purchase threshold – from $5,000 for Department of Defense and $10,000 for civilian federal agencies – to $25,000 for purchases made through GSA-approved e-commerce portals.[8] Purchases under this threshold are usually performed non-competitively. GSA has stated that this increase will allow a faster rollout of the program while allowing contracting officers to focus on more strategic, mission-critical work.

  However, stakeholders voiced concerns on the rationale of this increase and how it would affect other contracting vehicles. In August 2018, the National Defense Authorization Act for FY 2019 was signed into law and reflected legislative changes noted in the e-commerce implementation plan; however, most notably, it did not reflect the increase to a $25,000 micro-purchase threshold. Instead, it solely raised the threshold for Department of Defense purchases to $10,000 to mirror the existing threshold for civilian federal agencies. This decision may affect GSA's implementation

[8] A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures.

plan as well as the volume or frequency of customer agencies choosing to use e-commerce portals.

As GSA continues to take steps to comply with the requirements and fulfill its responsibilities under this law, it must consider these issues while also remaining vigilant to unintended consequences of implementation.

Leading the Transition to Enterprise Infrastructure Solutions Contract

FAS is leading the government-wide transition from the expiring Networx telecommunications and IT infrastructure contracts to the new Enterprise Infrastructure Solutions (EIS) contract. EIS is a 15-year, $50 billion contract that provides customer agencies with common telecommunication services and IT infrastructure such as voice, cloud services, call and data centers, satellites, and wireless services. To reduce overlap and duplication, EIS will consolidate offerings currently provided by national and regional contracts and leverage the government's buying volume to reduce prices. Additionally, customer agencies are using the transition to EIS as an opportunity to enhance cybersecurity and modernize federal IT.[9]

Since the transition began in April 2016, FAS has encountered significant challenges in its efforts to transition customer agencies to EIS. From delays in awarding the EIS contract to issues with administering a task order meant to provide direct support to customer agencies, these challenges could significantly affect FAS's ability to transition more than 200 customer agencies by the March 2020 targeted deadline.

For example, FAS encouraged customer agencies to begin transition planning early with the release of the EIS Request for Proposals; however, FAS awarded the EIS contract in July 2017, 10 months later than planned. FAS structured the EIS transition into three phases: (1) acquisition planning, (2) acquisition decision, and (3) transition execution. The transition is currently in the acquisition planning phase that concludes when a customer agency issues solicitation(s), which are requests to EIS awardees to submit offers or quotes for EIS services.

However, FAS made a significant programmatic decision in early October 2017 to end the EIS Full Service Model, directly affecting the acquisition planning phase and its scheduled completion, which was also in October 2017. Under the Full Service Model, FAS orders services, troubleshoots service disruptions, and resolves issues with contractors on behalf of customer agencies. Because of this decision, customer agencies had to revise their EIS solicitations to incorporate services previously provided under the Full Service Model, resulting in additional transition delays.

Administration of the EIS assistance contract has also been an issue. FAS offers customer agencies direct EIS transition assistance through two task orders. One such task order is for Transition Ordering Assistance that provides customer agencies with telecommunications and

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[9] *Report to the President on Federal IT Modernization* (American Technology Council, December 13, 2017).

acquisition expertise to assist with transition activities. Although initially awarded in September 2016, a bid protest hindered the start of work until March 2017, further delaying transition progress. We reported two significant concerns with FAS's administration of this task order.[10] If not corrected, the task order's usefulness in meeting the EIS transition deadline may be limited.

Ultimately, customer agencies have made little progress issuing solicitations by October 2017 as outlined in the transition timeline. As of August 31, 2018, customer agencies had only issued 16 of the estimated 190 solicitations. FAS must ensure the EIS transition meets milestone dates to capitalize on potential cost savings resulting from reduced acquisition costs and volume buying; as well as ensure uninterrupted service.

Delivering the System for Award Management

FAS is responsible for the System for Award Management (SAM), a Presidential e-government initiative to consolidate 10 procurement-related legacy systems. These systems, collectively known as the Integrated Award Environment (IAE), are used by those who award, administer, and receive federal funds. Transactions under the IAE include contract awards, intergovernmental payments, grants, and other federal assistance. Started in 2008, the SAM initiative has historically overrun timeframes and costs. Given IAE's nearly 4 million federal users, diligent project and fiscal management is necessary to ensure SAM's completion and system quality.

FAS has confronted a number of significant challenges since SAM's inception. In addition to the IAE consolidation under a complex governance structure, FAS faced funding constraints, contractor performance issues, and high project staff turnover. Because of these challenges, SAM – which FAS once expected to complete by 2014 – is not estimated for completion until 2021.

In addition, SAM has experienced a recent series of fraudulent activity targeting system registrants and entities. These significant security incidents have exposed SAM's vulnerability related to the identity verification of individuals and their authorization to conduct business on behalf of a company. The technological and personnel resources required to secure the system and remediate the harm caused by these security incidents could lead to additional delays and likely increase SAM's operational and development costs.

The 7-year delay has led to significant costs, as FAS must keep legacy systems functioning until SAM is complete. FAS projected a total cost of $813 million for SAM development and legacy system operation and maintenance from FY 2010 through FY 2019. FAS will likely exceed this estimate if SAM is completed in 2021 or later.

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[10] *FAS Is Providing Support Services to Agencies Transitioning to Enterprise Infrastructure Solutions without Executed Interagency Agreements* (Audit Memorandum Number A170103-3, January 12, 2018); and *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions* (Audit Memorandum Number A170103-4, June 29, 2018).

While FAS continues to consider the impact of these challenges on the SAM consolidation project milestones, risks remain that could potentially delay the project's completion beyond 2021. For example, FAS recently had to shift resources from the SAM consolidation project to address legacy system security weaknesses. Additionally, FAS may still need to incorporate system changes to comply with regulation updates, new policies, or requests from governance bodies. Specifically, FAS may need to make significant changes to the system if a new identifier for registered companies is adopted. This potential change is driven by: (1) a Federal Acquisition Regulation final rule that eliminated the use of Dun and Bradstreet's proprietary Data Universal Numbering System as the unique identifier for registered companies, and (2) the 2018 expiration of Dun and Bradstreet's GSA contract. If a new contractor registration identifier is implemented, significant system changes may be necessary as SAM's information is built entirely using proprietary information supplied by Dun and Bradstreet.

Beyond delays and increasing costs, SAM also faces other challenges. For example, third parties are using public information generated by SAM to contact system registrants to request money to complete or renew their registration, even though registration in SAM has always been free of charge. In some instances, third party registration services are offered for a fee, and in other instances, third parties fraudulently claim to represent GSA and request fees from the registrant. This has the potential to erode public trust in SAM and the government's ability to protect the interests of contractors doing business through SAM.

The success of the SAM initiative is critical to enable agencies to share acquisition data and make informed procurement decisions, make it easier for contractors to do business with the government, and generate savings for the taxpayer. While GSA has taken steps to improve and stabilize the project, it must apply sound management practices to identify and address risks to project completion and to ensure the project is delivered in a cost effective and timely manner. Additionally, GSA must ensure the appropriate technical controls and safeguards are implemented to secure the system and protect the users and data from malicious threats.

Challenge 3: Maximizing the Performance of GSA's Real Property Inventory

PBS must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, PBS should plan the best approach to reducing and consolidating space, disposing and exchanging federal property, reducing leasing costs, effectively administer its leased portfolio, meet the operations and maintenance needs of aging buildings, and ensure effective management of energy and utility contracts.

Reducing and Consolidating Space. In fulfilling its responsibilities under the Office of Management and Budget's *Freeze the Footprint* and *Reduce the Footprint* mandates, GSA has sought to improve space utilization in its federal building portfolio. In testimony before the House Committee on Oversight and Government Reform's Subcommittee on Government Operations in February 2018, GSA Administrator Emily Murphy stated that GSA is committed to reducing space and decreasing rental cost. Further, she stated that GSA is working with agencies to identify under-utilized or vacant facilities that GSA can consolidate or eliminate altogether.

According to a March 2018 GAO report, most of the 24 agencies with chief financial officers reported that they planned to consolidate their office and warehouse space and allocate fewer square feet per employee as key ways to achieve their space reduction targets.[11] The agencies most often identified the cost of space reduction projects as a challenge to achieving their targets. Agencies cited costs for space renovations to accommodate more staff and required environmental clean-up before disposing of a property as challenges to completing projects.

Since FY 2014, Congress has provided GSA with the authority to use funds for space consolidation projects. Most recently in FY 2018, Congress authorized the use of $20 million from the Federal Buildings Fund to reconfigure and renovate space within GSA-owned and leased buildings. Congress also called for preference to be given to consolidation projects that achieve a utilization rate of 130 usable square feet or less per person for office space.

As PBS continues to facilitate agency consolidation projects, it must ensure that the selected projects are cost effective and provide an adequate payback. PBS should ensure that it selects space reduction and consolidation projects that are not only focused on meeting utilization rate goals, but that also support the customer agencies' missions and are cost effective. [12] In this effort, PBS needs to create plans to backfill any vacant space created by consolidations. Proper planning is critical to prevent losses to the Federal Buildings Fund resulting from vacated space that could have been backfilled with new tenants.

Another area that GSA needs to focus on is working with agencies to identify under-utilized or vacant facilities that GSA can consolidate or eliminate altogether. In August 2018, we issued a report noting that PBS is not tracking and reporting all unused leased space under its authority as required. We found that although PBS is reporting a relatively low leased space vacancy rate, we identified 785,400 square feet of unused leased space representing $21 million in annual rental payments that PBS is not reporting as required. Specifically, PBS does not identify or report unused leased space under non-cancelable occupancy agreements where the tenant continues to pay rent. As a result, PBS is not backfilling the space or taking other steps to minimize the impact to the taxpayer.[13]

Disposing Federal Property. The goal of the Federal Assets Sale and Transfer Act of 2016 (FASTA) is to reduce federal real estate expenditures and the size of the federal real estate

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[11] GAO report, *Agencies Focus on Space Utilization As They Reduce Office and Warehouse Space* (Report Number GAO-18-304, March 8, 2018).

[12] Utilization rate is a space planning and facility programming term used by designers, architects, facility managers and government agencies to define a building's occupiable square foot per person.

[13] *GSA's Public Buildings Service Does Not Track and Report All Unused Leased Space as Required* (Report Number A160133/P/6/R18002, August 10, 2018).

portfolio. It created the Public Buildings Reform Board to identify opportunities to reduce the federal real property inventory and make recommendations to sell vacant or underutilized properties. FASTA also required GSA to establish a publically accessible database of federal property for the entire federal government. In December 2017, GSA met this requirement when it rolled out the Federal Real Property Profile Management System.

As it continues its efforts under FASTA, GSA must continue to plan for and navigate through a complex process when disposing of its own properties and the properties of other federal agencies. Historically, property disposal is a lengthy process. After an agency reports a property as excess, PBS must first determine if another federal agency can use the property. Next, PBS has to make the property available for public benefit uses, such as homeless shelters, educational facilities, or fire or police training centers. If the property is not fit for those uses, PBS can negotiate a sale with state and local governments, as well as nonprofit organizations and institutions. Finally, if the property remains available, PBS can conduct a competitive sale of the property to the public.

The amount of time that a disposal takes is problematic because costs are incurred during the disposal process. While a property is vacant or underutilized, as well as throughout the entire disposal process, the federal government is responsible for ongoing maintenance, operations, and security costs. In addition, the property remains in the government inventory and unavailable for local development. For example, a large tract of land in Lakewood, Colorado, has been in the disposal process for several years. This is prime real estate in the Denver-metro area that could be developed to generate jobs, business, and property taxes for the local area.

In September 2016 testimony to the Subcommittee on Transportation and Public Assets of the U.S. House Committee on Oversight and Government Reform, the then PBS Deputy Commissioner stated that GSA planned to divest at least 10 million square feet of underperforming assets over the next 4 years.[14] To reduce the length of the disposal process and costs associated with underperforming assets, GSA must successfully plan for and efficiently progress through the required steps.

Reducing Leasing Costs. In June 2016 testimony to the U.S. Senate Committee on Homeland Security and Governmental Affairs and the U.S. House Committee on Transportation and Infrastructure, Subcommittee on Economic Development, Public Buildings, and Emergency Management, the former PBS Commissioner noted that, in addition to the focus on freezing the footprint, GSA must also focus on the cost of the footprint, in particular as it pertains to leasing. To control lease costs, GSA must reduce the reliance on holdovers and extensions.

A holdover is created when the tenant continues to occupy the premises beyond the expiration date of the lease term. The government has no contractual right to continue occupancy but the tenant remains in place without a written agreement. An extension is a sole-source, negotiated

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[14] In FY 2016, GSA partnered with agencies to dispose of 134 properties for $28.84 million, resulting in a 2.3 million square foot reduction in the federal footprint.

agreement between the lessor and the government allowing the tenant agency to continue to occupy its current location when the tenant is unable to vacate the property when the lease expires.

Short-term holdovers and extensions may provide flexibility, but it comes at a cost. According to PBS officials, on average, lease extensions cost an additional 20 percent. Long-term leases provide incentives for owners to provide lower rental rates and concessions such as periods of free rent. PBS officials stated that their strategy is to emphasize leases of over 10 years, because longer leases typically result in lower annual costs. If PBS can better manage the pipeline of expiring leases to avoid holdovers and extensions, PBS could benefit by conducting fully competitive procurements for long-term leases.

PBS has a considerable number of leases set to expire in the near future. PBS determined that 55 percent of its leases would be expiring from FY 2018 to FY 2023. Of the current lease portfolio of 8,091 leases, 600 are in holdover (0.7 percent) and 1,268 are in extension status (16 percent). The short-term nature of holdovers and extensions causes uncertainty for tenants and lessors, and workload management issues for PBS. Negotiating extensions and resolving holdovers requires PBS to perform additional work before finalizing the long-term lease for that tenant. Also, when these short-term extensions expire, they add to the number of leases set to expire in a given year.

PBS's strategy to reduce its dependency on lease holdovers and extensions centers on working with customer agencies to emphasize the importance of earlier planning for upcoming lease expirations. In July 2015, PBS issued its *Leasing Alert – Continuing Need Letters and Escalation Protocol* to establish a policy that PBS contact tenants to obtain requirements for future needs at least 36 months before a lease expiration date. As leases expire, upfront planning is important to allow for competitive procurements to achieve better rates for the tenant and taxpayer.

Administration of Leases. PBS faces significant challenges in maintaining and administering leases for federally occupied space. As the landlord for the civilian federal government, PBS acquires space on behalf of the federal government and acts as a caretaker for federal properties across the country. As of January 2017, 185.7 million of PBS's 370 million square feet of property was leased space, accounting for $5.8 billion in annual rent. Approximately half of federal employees are located in leased properties across the country.

In its capacity as the federal government's landlord, PBS has a responsibility to effectively administer its lease portfolio to protect tenants and taxpayer resources and comply with applicable laws and regulations. However, we have previously reported deficiencies in PBS's management of leased space, which indicate the need for improvements across a broad spectrum of the leasing program. For example:

- In September 2015, we reported on the lease administration practices in PBS's Michigan Service Center, noting that PBS did not always provide clean, safe, secure, maintained, and comfortable work space. Specifically, we found safety, fire protection, and security deficiencies that should have been detected by the lease property managers in their inspections. As a result, some building occupants were in space that did not meet the fire and life safety requirements of the lease and were potentially exposed to unsafe work environments. For example, for one leased location, a section of the fire escape had bent, broken, or missing stairs. In another location, we found multiple fire and safety hazards including fire extinguishers that were out of compliance or inaccessible.[15]

- In January 2017, we issued a report identifying environmental, health and safety, and maintenance issues at the Kress Building in Tampa, Florida. We found that PBS had not enforced the terms of the full service lease at the Kress Building and that tenants may have been exposed to health risks. Specifically, PBS did not hold the lessor accountable for maintenance and repair issues in a timely fashion and failed to timely notify tenants about the presence of black mold.[16]

- In June 2018, we reported that PBS did not effectively fulfill its leasing responsibilities for leased space in Tulsa, Oklahoma. Specifically, although PBS officials were aware before executing the lease that the building's roof leaked, they did not incorporate terms and conditions into the lease to ensure that the lessor resolved the problem prior to occupancy. As a result, despite recurring water leaks and mold problems in the building, PBS lacked the ability to compel the lessor to replace the roof and was ultimately forced to terminate the lease at a cost of $974,000 to taxpayers.

  In addition, PBS did not follow its policies and procedures to ensure that the leased space met federal requirements for building accessibility prior to occupancy. Consequently, the leased space did not comply with federal accessibility requirements and people with disabilities were unable to easily access the leased space.[17]

PBS is the federal government's landlord, responsible for ensuring the federal workforce and visitors have safe and healthy work environments. PBS has a responsibility to effectively administer its lease portfolio to protect tenants and taxpayer resources and comply with applicable laws and regulations. However, as our audits found, PBS faces significant challenges in maintaining and administering leases for federally occupied space.

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[15] *Oversight and Safety Issues at the PBS Michigan Service Center* (Report Number A140024/P/5/R15009, September 30, 2015).

[16] *PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks* (Report Number A160019/P/4/R17003, January 27, 2017).

[17] *PBS's Leasing for the Eton Square Office Centre Was Not Effective or Compliant With Policies* (Report Number A170091/P/7/R18001, June 11, 2018).

Meeting the Operations and Maintenance Needs of Federal Buildings. In recent years, PBS focused on minimizing maintenance costs while still maintaining or improving building performance. However, minimizing the level of operations and maintenance services may have the unintended consequence of impairing conditions within the building.

Beginning in FY 2015, PBS focused on minimizing operations and maintenance costs by targeting and consolidating operations and maintenance contracts for which costs exceeded industry benchmarks. In its *FY 2018 Congressional Justification*, GSA made targeted reductions to PBS's building services costs and continued efforts to reduce operating costs associated with its building inventory.

While minimizing costs may benefit PBS financially in the short term, PBS must also consider any possible negative effect of these changes over the long term. For example, in some instances PBS is scaling back on running heating, ventilation, and air conditioning systems at night and on weekends to reduce maintenance and energy costs. However, this could increase the humidity in the air, causing enough moisture for mold growth. Thus, PBS's efforts to minimize maintenance and operations costs may have unintended consequences of causing more costly problems in the future.

The risk that reduced levels of building operations and maintenance could lead to increased costs is especially problematic since the identified repair needs of PBS's building portfolio are already high and growing. In its FY 2017 Agency Financial Report, GSA reported that approximately 23 percent of its inventory's square footage was not in good condition; a nearly 4 percent increase from the previous year. In a recent FY 2019 budget hearing, the GSA Administrator identified a backlog of over $1.4 billion in building repairs needed to meet property standards of the 21st century; a nearly $200 million increase from the previous year.

GSA must ensure that reductions to its current operations and maintenance costs do not affect its ability to provide safe, reliable, and functional building performance for its tenants and the public.

Ensuring Effective Management of Energy Savings Performance Contracts and Utility Energy Service Contracts. Between September 2013 and May 2018, PBS awarded over $1.5 billion in ESPCs and utility energy service contracts (UESCs). However, ESPCs and UESCs are high risk areas for PBS, with high-dollar contract values and long-term financial commitments. Without effective management, PBS may not realize projected savings from these contracts.

Under an ESPC, the government contracts with an energy service company to install energy-saving upgrades to buildings and pays the energy service company from the energy savings projected from the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and serving utility company for energy management services, including energy and water efficiency improvements. The utility company pays most or all of the upfront costs, and the government repays the utility company through utility savings, appropriated funds, or a combination of the two. UESCs can also last up to 25 years.

In recent audits of ESPCs, we identified a number of challenges.[18] We found that PBS:

- Risked paying for unrealized energy savings on 10 of the 14 ESPC task orders we audited and did not achieve energy savings on another task order;
- Did not comply with requirements for establishing fair and reasonable pricing;
- Awarded one ESPC task order for a building that may be sold, transferred, or otherwise disposed;
- Awarded an ESPC without an approved Measurement and Verification Plan for achieving energy savings;
- Awarded a task order that resulted in a cardinal change that violated federal competition requirements; and
- Did not comply with Agency policy on the inclusion of the Limitation of Government Obligation Clause.

In February 2017, PBS Facilities Management Service Program officials expressed their continued concern that actual ESPC savings may fall short of the expected savings calculated at the beginning of the contract. Also, they said it is a challenge to determine when it is appropriate to include operations and maintenance costs in the contracts.

Likewise, UESCs also present a number of risks for PBS. The primary risks involved with UESCs include:

- Limited competition among utility companies;
- A high number of sole-source contracts; and
- A lack of mandated savings guarantees.

Due to the lack of competition and use of sole-source contracts, PBS is vulnerable to paying a high cost for these projects. In addition, because UESCs are not mandated to guarantee savings upon project completion, upfront costs to execute UESC projects may not be offset by the estimates of the long-term savings.

PBS officials should effectively administer these unique contract vehicles to ensure that energy and cost savings are realized.

Challenge 4: Prioritizing Agency Cybersecurity

Cyber attacks are increasing in frequency and in their capacity to cause damage. They have the potential to cripple infrastructure; disrupt organizational operations; and jeopardize data and

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[18] *PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals* (Report Number A150009/P/5/R16003, September 27, 2016); and *PBS National Capital Region's $1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy* (Report Number A150009/P/5/R17006, August 24, 2017).

sensitive information. As cybersecurity threats proliferate and become more sophisticated, GSA management must improve its overall IT security program to ensure that the Agency protects its IT systems as well as the sensitive information within.

The Office of GSA IT (GSA IT) is responsible for providing stable and secure technical solutions and services to meet the business needs of its customers. In addition, these solutions and services must comply with laws, regulations, and guidance governing information technology security (IT security). Meeting these responsibilities is a significant challenge in an environment of competing priorities and increasingly sophisticated cyber attacks. The ineffective selection and implementation of IT security controls can result in business disruptions, damage to Agency resources, and the disclosure of sensitive information. In FY 2019, GSA IT remains challenged with strengthening its IT security controls in high-risk areas as identified in recent audits conducted by GAO, GSA's independent auditor, and our office. As demonstrated below, GSA's systems and data are vulnerable. In this environment of constant threats, GSA IT needs to ensure that GSA's IT systems and sensitive information are adequately protected to prevent the disruption of government operations and the unauthorized disclosure of information.

Protection of GSA's Building Control Systems against Cyber Attacks. In January 2018, GAO reported that GSA faces cybersecurity challenges with its buildings control systems, which are vulnerable to cyber attacks that could compromise security or cause harm. In an effort to mitigate the effects of potential external cyber attacks, the Agency is moving building automation systems in GSA-controlled buildings away from public networks to GSA's secured network. Currently, approximately 400 federally-owned buildings are on GSA's secured network. Of those buildings, 81 are equipped with GSAlink, an analytical software application that alerts staff to potential building system problems, such as equipment operating outside of normal hours.[19]

While GSA needs to continue taking steps to mitigate external threats, action is also needed to address the internal threats in the operation and management of these systems. For example, security incidents involving building systems were reported in FY 2018 involving access, protection, and privacy control violations by employees or contractors sharing administrative passwords and bypassing IT security controls in GSA's building control systems. Accordingly, GSA must ensure that its employees and contractors are adhering to the Agency's security policies, procedures, and guidance in the operation and management of its building control systems. Continued efforts in this area are necessary as security weaknesses within GSA's building control systems may be used to compromise security, hamper GSA's ability to carry out its mission, or cause physical harm to GSA's facilities or their occupants.

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[19] GAO report, *Federal Buildings: GSA Should Establish Goals and Performance Measures to Manage the Smart Buildings Program,* GAO-18-200 (Washington, D.C., January 30, 2018).

Controlling Access to Sensitive Information in GSA Systems. In FY 2019, GSA will continue to face challenges with maintaining the integrity, availability, and confidentiality of sensitive information within its systems. This sensitive information includes, among other things:

- Procurement sensitive information, such as information related to bidding and prices paid, that must be kept confidential to protect the integrity of the acquisition process;
- Personally identifiable information, such as resumes and personal contact information, that must be kept confidential to prevent harm to individuals;
- Vendor financial information, such as bank account information, that must be protected to ensure payments are not fraudulently redirected;
- Sensitive but unclassified information, such as architectural drawings, that must be protected to ensure the safety of government employees and the public; and
- Mobile device data, such as information transferred on GSA networks using government furnished equipment or mobile bring-your-own-devices, can become a security risk by providing a gateway for malicious software to enter networks.

We have reported on threats to personally identifiable information maintained by GSA.[20] These threats originate from cybersecurity vulnerabilities, intentional or unintentional mishandling of GSA's data, and ineffective Agency responses to reported information breaches. Furthermore, we have identified instances in which GSA has not implemented comprehensive corrective actions to address our recent audit recommendations in these areas.[21]

The FY 2017 annual Federal Information Security Modernization Act of 2014 review of GSA's IT security program and GSA's FY 2017 financial statement audit identified vulnerabilities in risk, configuration, and access management that could be exploited to gain access to sensitive information. Specifically, GSA's FY 2017 financial statement audit noted continued weaknesses in IT security controls designed to protect GSA's financial management systems and stated deficiencies remain in controls over access to programs and data. During FY 2017 and 2018, we also issued two reports identifying deficiencies in certain technical controls for two GSA systems containing procurement sensitive information.[22] As a result of these deficiencies, we reported that the systems face an increased risk of cyber attacks that could lead to loss of sensitive information and system outages.

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[20] *Sensitive but Unclassified Building Information Unprotected in GSA's Cloud Computing Environment* (Report Number A140157/P/R/W14001, August 19, 2014); *Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment* (Report Number A140157/O/F/R/F15002, January 29, 2015); and *Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015* (Report Number A160028/O/T/F16003, September 28, 2016).

[21] *Implementation Review of Action Plan: Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment Report Number A140157/O/R/F15002, January 29, 2015* (Assignment Number A160045, January 26, 2017).

[22] Due to the sensitivity of the subject matter, distribution of the specific technical control testing reports referred to are on a need-to-know basis.

As cybersecurity threats grow more intricate and sophisticated by the day, cyber attacks are increasing in frequency and have the ability to cripple an infrastructure; disrupt organizational operations; and jeopardize data and sensitive information. GSA management must improve its overall IT security program to ensure that the Agency fulfills its responsibility to protect the sensitive information in systems operated by the Agency or on its behalf.

Challenge 5: Managing Human Capital Efficiently to Accomplish GSA's Mission

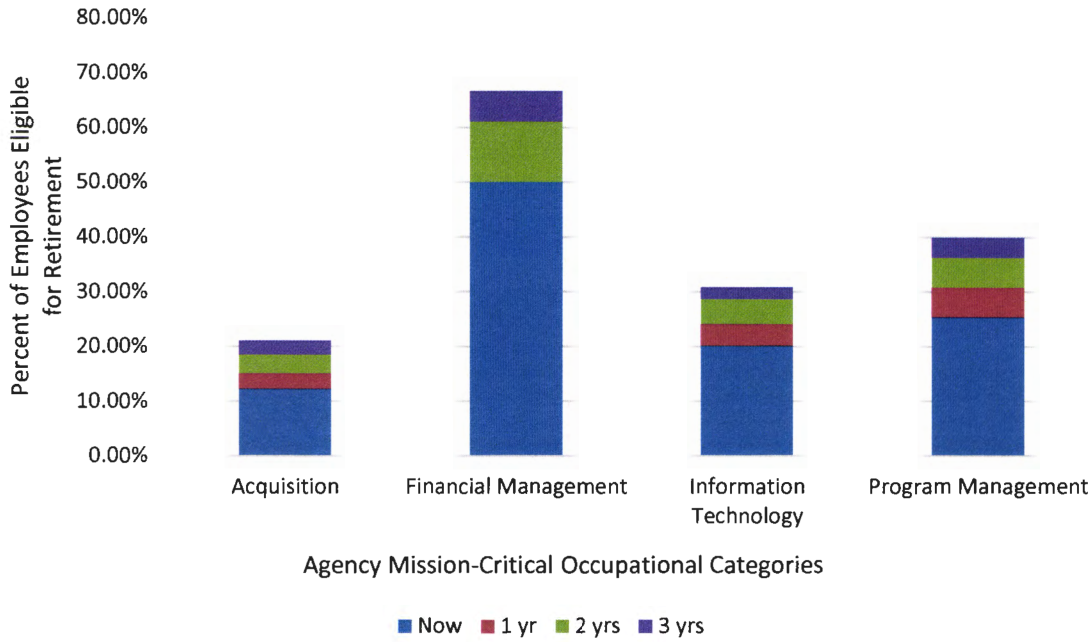
GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories – Acquisition, Financial Management, IT, Program Management, Property Management, Realty, and Human Resources – that make up 43 percent of GSA's workforce. GSA faces the loss of experience and expertise through retirements as 15 percent of employees in these mission-critical occupational categories are eligible to retire now.[23] Further, 25 percent of the mission-critical workforce for FAS, GSA IT, OCFO, and PBS will be eligible to retire over the next 3 years. The importance of a skilled workforce is highlighted by GSA's responsibility to provide value to customer agencies, comply with increased regulatory requirements, and mitigate the risk of IT security threats.

Federal Acquisition Service. In 2016, we reported that FAS did not have a comprehensive human capital plan for its contract specialist workforce.[24] This placed a critical segment of the acquisition workforce at risk for inadequate staffing to fulfill its mission. Absent such a plan, FAS may hire employees without assessing its needs and hiring costs, considering turnover rates, and planning for upcoming retirements. In response to our report, FAS finalized its Human Capital Strategic Plan in February 2017 and plans to work closely with the Office of Government-wide Policy and the Office of Human Resource Management on the overall GSA acquisition workforce plan. FAS reiterated that it would continue to monitor its organization comprehensively to ensure sustained efficiency and effectiveness from these changes as well as any future organizational changes. As shown in *Figure 1*, between 21 and 67 percent of the staff in FAS's mission-critical occupations is eligible for retirement in the next 3 years. FAS must prepare to adapt to this loss of expertise.

[23] All data percentages contained within this management challenge are based on data from May 2018 compiled by the GSA Office of Human Resources Management, unless otherwise noted.

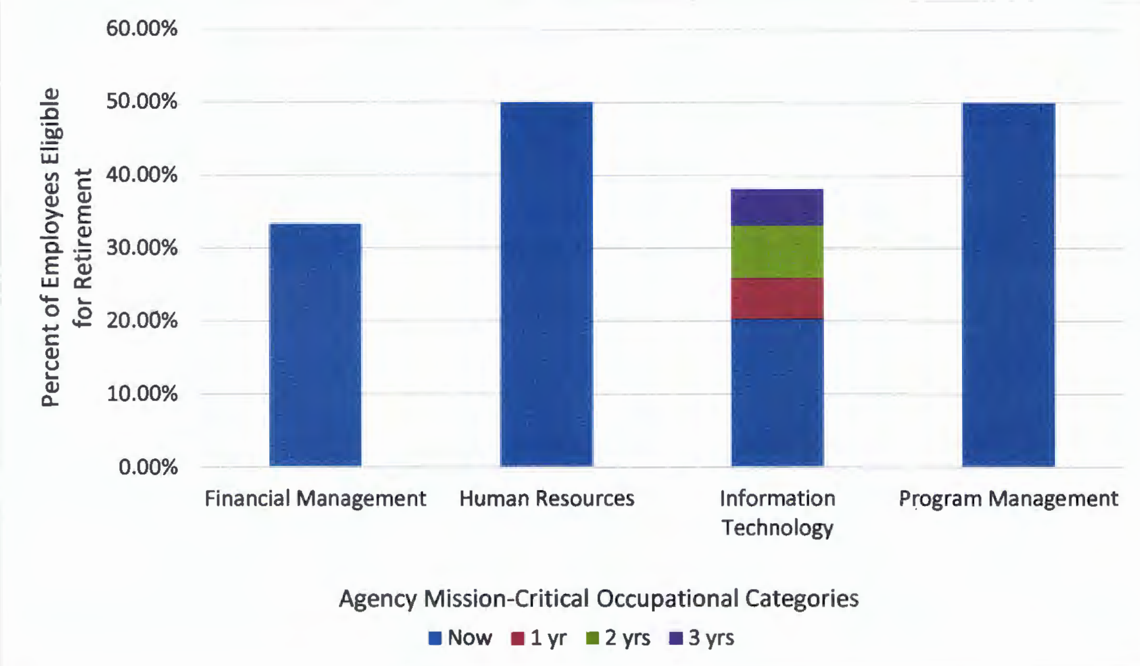
[24] *The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for its Contract Specialist Workforce* (Report Number A150033/Q/9/P16002, July 22, 2016).

Figure 1 – FAS 3-Year Retirement Eligibility by Mission-Critical Occupational Category



GSA IT. The mission of GSA IT is to inspire and drive technology transformation by delivering innovative, collaborative, and cost-effective IT solutions and services. To do this, GSA IT must have a highly skilled cybersecurity staff to, among other responsibilities, respond to and recover from unintentional or intentional cyber attacks, including those related to personally identifiable information. As illustrated by *Figure 2*, GSA IT faces the immediate retirement of 20 to 50 percent of its staff in its four mission-critical occupations.

Figure 2 – GSA IT 3-Year Retirement Eligibility by Mission-Critical Occupational Category



Given the competitive employment market in the Washington, D.C., area, GSA IT has been expanding its hiring of IT security specialists in other locations, such as the cities of Kansas City, Denver, and Dallas. GSA must prioritize the availability of qualified cybersecurity staff to operate, maintain, and protect its systems and data.

Office of the Chief Financial Officer. The OCFO is subject to several laws that result in significant workload, such as the Digital Accountability and Transparency Act of 2014 (DATA Act) and the Improper Payments Elimination and Recovery Improvement Act of 2012. Our work on GSA's compliance with DATA Act requirements noted that GSA's financial and award data submitted for publication was not complete, timely, or accurate, and lacked quality.[25] Implementation of the DATA Act brings challenges with competing priorities and the availability of dedicated GSA resources to ensure continued progress.[26] For example, employees working on the DATA Act also have to perform their primary roles in GSA and GSA received no additional funding for its required work under the DATA Act.

The OCFO, like other offices, also has to manage the loss of veteran expertise. *Figure 3* illustrates this concern by comparing the number of new hires to separations (grade 11 to

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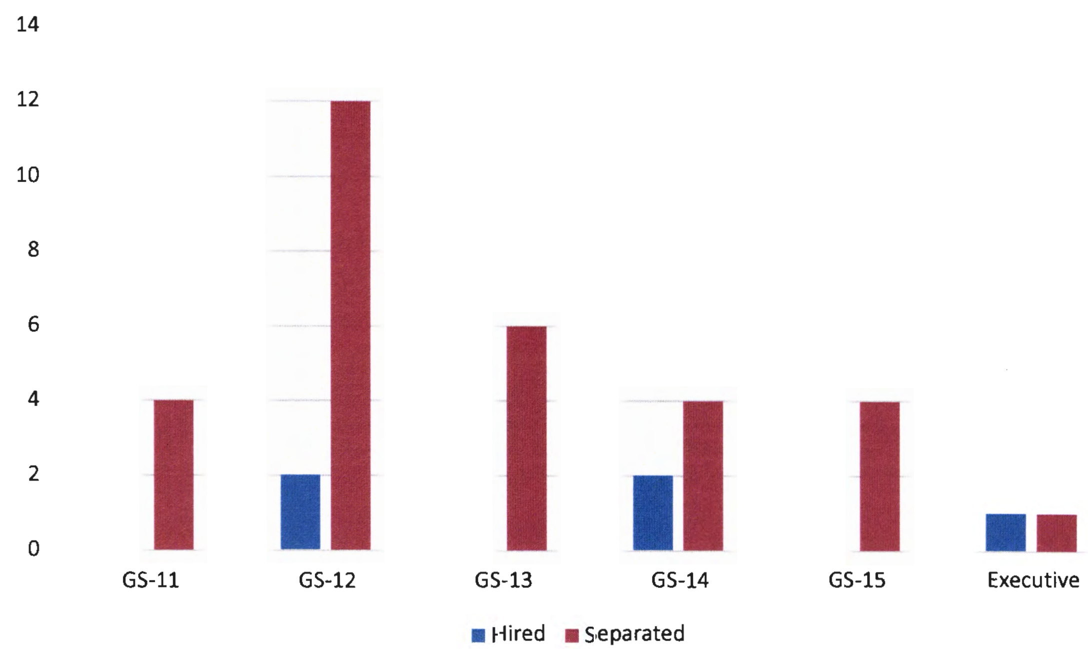
[25] *Audit of the Completeness, Timeliness, Quality, and Accuracy of GSA's 2017 DATA Act Submission* (Report Number A150150/B/R/F18001, November 8, 2017).

[26] *The Office of Inspector General's Readiness Review of GSA's Implementation of the Digital Accountability and Transparency Act* (Audit Memorandum Number A150150-2, November 30, 2016).

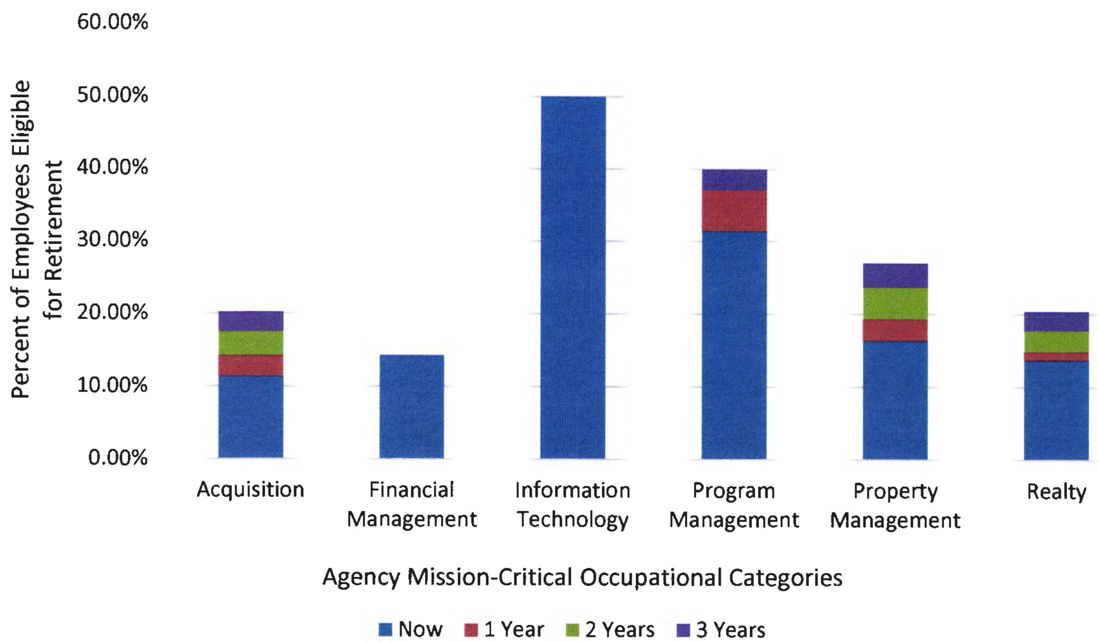
executive level) within the OCFO during the last 12 months. With its resources decreasing, the Chief Financial Officer is focused on becoming more efficient at executing the OCFO's mission. While improved efficiency is a positive goal, the loss of its human resources may lead to the compromise of important management controls and functions.

Figure 3 – OCFO Hires and Separations in Prior 12 Months



Public Buildings Service. As *Figure 4* illustrates, GSA's PBS will face upcoming retirements of mission-critical staff within the next 3 years. PBS officials both in Central Office and in regional offices expressed to us concerns about having the staff needed to perform the work. For example, 31 percent of PBS's Program Management staff is currently eligible to retire; within 3 years, that increases to 40 percent. Further, PBS's Program Management hiring is not keeping pace with separations. In the last year, PBS's Program Management hires represented a 5.1 percent increase but separations accounted for a 7.7 percent decrease. The potential retirement of more than 40 percent of its own internal Program Management staff within 3 years would create experience and technical voids in PBS's workforce and could affect construction, acquisition, leasing, and renovations, challenging PBS to develop alternative solutions for managing its portfolio of over 8,600 buildings and leases, as well as its $2 billion Capital Investment Program.

Figure 4 – PBS 3-Year Retirement Eligibility by Mission-Critical Occupational Category



With a significant portion of its mission-critical workforce eligible to retire over the next 3 years, GSA officials must strive to maintain technical expertise as they work to meet regulatory requirements and customer demands.

Challenge 6: Safeguarding Federal Facilities and Providing a Secure Work Environment

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,600 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience,* government facilities were designated as a critical infrastructure sector and GSA and the Department of Homeland Security were named as responsible agencies. In accordance with the directive, the Department of Homeland Security's Federal Protective Service is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities. Meanwhile, GSA is responsible for assisting with the development of contracts for compliant implementation of Physical Access Control systems and coordination with the Federal Protective Service to ensure building occupant security.

Our reports have repeatedly pointed out that GSA's security clearance process for contractors needs improvement. These reports recommended corrective actions to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to obtaining site access. We have also recommended that background check information be shared with, and retained by, contract and project management staff.[27] During an audit of PBS procurements, we found limited evidence of coordination among the GSA Chief Security Office and PBS officials to ensure only suitable individuals could access federal buildings.[28] In another audit, we found that contractor employees who had not received security clearances were allowed to work on a construction project at a federal building.[29]

In addition to reporting on problematic contract administration, we issued two evaluation reports in March 2016 that found GSA-managed facilities are at an increased risk of unauthorized access. Unauthorized access to federal facilities increases the risk of a security event such as an active shooter, terrorist attack, theft of government property, or exposure of sensitive information. Specifically, we identified significant deficiencies in GSA's process for managing GSA issued Homeland Security Presidential Directive 12 Personal Identity Verification cards to contractors and for ensuring the completion of contractor employee background investigations. We also found deficiencies in GSA's tracking and maintenance of contractor employee background investigation data stored within GSA's Credential and Identity Management System.[30] In addition, we found widespread use of unsecured, unregulated facility-specific building badges at GSA-managed facilities. GSA does not have adequate controls over these badges and cannot determine the extent of their associated security risks because it does not centrally monitor the management of the badges.[31] Finally, we determined that a GSA building manager instructed GSA contractors to illegally create building access cards for her dependent daughter in order to provide the daughter access to a federal building.

Although GSA has taken some corrective actions to resolve the above deficiencies, our recent reports show that more work remains. For example, in an August 2017 implementation review, we found that PBS has not taken all corrective actions to prevent contractor employees from working on construction projects in federal buildings without the appropriate security

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[27] *Implementation Review of Action Plan Contract Administration for Group 10 Recovery Act Limited Scope and Small Construction Projects Report Number A090184/P/R/R12008* (Assignment Number A130130, March 28, 2014); and *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

[28] *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

[29] *PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* (Report Number A150120/P/2/R16002, March 17, 2016).

[30] *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards* (Report Number JE16-002, March 30, 2016).

[31] *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges* (Report Number JE16-003, March 30, 2016).

clearances.[32] Similarly, in June 2018, we reported that FAS did not ensure that contract employees received favorable background investigation determinations before providing them with access to sensitive government information, systems, and facilities.[33] Taken together, our findings point to the need for GSA management to increase its emphasis on overall security.

GSA management maintains that it is working to improve its building security operations. In response to the evaluation reports, GSA has agreed to address vulnerabilities associated with building-specific facility access cards and Homeland Security Presidential Directive 12 Personal Identity Verification cards; GSA management has indicated that it has resolved its Credential and Identity Management System deficiencies and that facility access cards have been supplanted by Physical Access Controls.

In addition to the actions noted above, GSA has recently placed greater emphasis on the performance and implementation of facility security assessments. The facility security assessments are performed by the Federal Protective Service to evaluate a building's security risk and recommend countermeasures to mitigate the risk. GSA, in coordination with building tenants, determines which counter measures to implement. However, in a recently completed audit on this subject, we found that GSA did not have the facility security assessment reports for most of the buildings sampled. Accordingly, GSA needs to track facility assessment reports and to ensure staff understand their responsibilities regarding the use of the reports and the implementation of countermeasures.[34]

Challenge 7: Managing Revolving Funds Effectively

Effective financial management is extremely important for GSA given that most of GSA's operations are funded through revolving funds established by law to finance continuing operations. As a result, GSA must properly manage these funds to ensure it can continue its operations and serve its federal agency customers. The reliance on the revolving funds present unique challenges to the Agency as exemplified by the Acquisition Services Fund (ASF).

Acquisition Services Fund. GSA needs to ensure that the ASF revolving fund revenues cover expenditures and that the necessary budgetary controls are in place.

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[32] *Implementation Review of Corrective Action Plan PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building Report Number A150120/P/2/R16002* (Assignment Number A170083, August 23, 2017).

[33] *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions*, (Interim Memorandum Number A170103-4, June 29, 2018).

[34] *GSA Should Monitor and Track Facility Security Assessments* (Report Number A160101/O/7/F18002, December 4, 2017).

The ASF's authorizing legislation requires the GSA Administrator to establish rates to be charged to agencies receiving services that: (1) recover costs, and (2) provide for the cost and capital requirements of the ASF. The ASF is a revolving fund that operates from the reimbursable revenue generated by seven FAS business portfolios that include:

- Office of General Supplies and Services Categories;
- Office of Travel, Transportation, and Logistics Categories;
- Office of Information Technology Category;
- Office of Assisted Acquisition Services;
- Office of Professional Services and Human Capital Categories;
- Office of Systems Management; and
- Technology Transformation Services.

However, in FY 2017, GSA reported an $8 million net loss for the ASF despite having realized revenues over $10.3 billion; whereas, in FY 2016 GSA reported an $8 million net income. The $8 million net loss was attributed to five of the seven business portfolios. In its *FY 2017 Annual Performance Report/FY 2019 Annual Performance Plan*, GSA discussed the FY 2017 results along with plans for FY 2019 and the proposed budget. As part of this discussion, GSA stated that the 18F program within the Technology Transformation Service had difficulty balancing revenues and expenditures under its operating model, creating difficulties in achieving cost recovery of operations. In an effort towards cost recovery, GSA merged all Technology Transformation Service components under FAS in the third quarter of FY 2017. GSA further stated that the Technology Transformation Services under FAS will continue to review and optimize cost structures and business opportunities, including:

- Conducting staffing level reviews to assess and optimize billable and non-billable workload;
- Reviewing and optimizing billing rates to customer agencies;
- Assessing travel and training budget allocations to optimize resource levels and execution rates; and
- Developing deeper client relationships and partnering on larger and more impactful modernization projects and initiatives.

Although FAS projects that revenues will increase and that its internal operations will become more efficient, it should remain vigilant to ensure it fulfills the ASF's legislative mandate to recover its costs and provide for the cost and capital requirements of the ASF.

In addition to cost recovery, budgetary control issues were also an issue for the ASF. The FY 2017 financial statements audit disclosed that the controls over the monitoring of ASF budgetary activity did not operate effectively. The ASF activity exceeded the apportioned budget authority for "flow through" or reimbursable obligations in the ASF by $705 million. The ineffective controls did not prevent the Budget Control Division and the FAS Budget Division from instances where actual budgetary activity exceeded apportioned amounts. As a result, GSA management notified OMB of a potential Anti-Deficiency Act violation. If not corrected, this control deficiency will continue to expose GSA to an increased risk of misstatements in its financial statements and possible violations of laws and regulations.

Challenge 8: Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch

In June 2018, the administration released a plan to reorganize the federal government, "Delivering Government Solutions in the 21st Century; Reform Plan and Reorganization Recommendations." In accordance with the plan, several core functions currently performed by the U.S. Office of Personnel Management (OPM) will transfer to GSA. These functions include retirement services, federal employee health care and insurance programs, and human resources solutions. The plan also calls for GSA to be renamed the "Government Services Agency." The full integration is expected to be completed by 2020. GSA faces major challenges with this merger.

The initial integration efforts will focus on the consolidation of the OPM's HR Solutions (HRS) into GSA. HRS is a fee-for-service entity within OPM that provides products and services to assist agencies with their human resource needs, including USAJOBS.gov, USA Staffing and USA Hiring, and other projects. GSA and OPM have created a task force to lead and support the integration and have established a March 30, 2019, timeline to complete the transition and rebadging of over 460 HRS employees to GSA. GSA also issued a Request for Information seeking assistance in developing an overall procurement strategy for the integration. In its request objective, GSA noted that it must identify and plan "for changes to GSA's organization, processes, and systems, beyond those required for the initial transition." Specifically, the Request for Information includes:

- Supporting and planning the execution of the initial transition of the HRS organization and personnel into GSA;
- Optimizing services and costs;
- Improving alignment with GSA offices and functions to reduce duplication; and
- Identifying further opportunities to transform the delivery of services.

Centralizing human resources operational functions in a single entity could attain considerable operational efficiencies. However, GSA and OPM leadership will face challenges in transitioning the government's human resources services with minimal disruption and without compromising the services provided. GSA must ensure all staff are properly and effectively trained in applicable systems, laws, and regulations that support the services integration. Similarly, OPM staff must become accustomed and knowledgeable in GSA systems, policies, and processes. Additionally, GSA management will face the operational challenge of determining where the additional people will reside and to whom they will report.

GSA's efforts will be further complicated by provisions in spending bills that restrict agencies from spending any money on reorganization plans without congressional approval. During a July 2018 hearing before the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Regulatory Affairs and Federal Management, GSA and OPM senior officials told lawmakers they are making progress with the planning phase to move HRS and do not believe they need congressional approval. However, members of Congress have stated that more detailed information and analysis are needed to allow for effective congressional oversight of the reorganization.

Comparison of OIG Major Management Challenges - FY19 vs. FY18

Lead Office	Supporting Offices	FY19 Challenge	FY18 Challenge	Comments
FAS	N/A	Enhancing Government Procurement	Enhancing Government Procurement	New issues in FY19 are the MAS program, Commercial Platforms, and the EIS contract. Issues carrying over from FY18 to FY19 are Acquisition Gateway and SAM.
FAS	OCFO	Managing Revolving Funds Effectively (ASF)	Sustaining Technology Transformation Services	Scope of challenge shifted from program management of TTS to ensuring that ASF achieves cost recovery.
PBS	N/A	Maximizing the Performance of GSA's Real Property Inventory	Maximizing the Performance of GSA's Real Property Inventory	One new issue in FY19 is administration of leases, citing examples of poor lease management in individual buildings. Issues carrying over from FY18 to FY19 are reducing & consolidating space, disposals, reducing leasing costs, operations and maintenance, and energy savings performance contracts.
OMA	PBS	Safeguarding Federal Facilities and Providing a Secure Work Environment	Safeguarding Federal Facilities and Providing a Secure Work Environment	No significant change from FY18; all issues carried over.
GSA IT	N/A	Prioritizing Agency Cybersecurity	Prioritizing Agency Cybersecurity	No significant change from FY18; all issues carried over.
OHRM	Multiple SSOs	Managing Human Capital Efficiently to Accomplish GSA's Mission	Managing Human Capital Efficiently to Accomplish GSA's Mission	No significant change from FY18. OIG cites retention and hiring challenges in FAS, PBS, GSA IT, and OCFO.
OCFO	FAS, PBS	Establishing and Maintaining an Effective Internal Control Environment across GSA	N/A	New in FY19. Cites 13 audits identifying internal controls issues, with examples from Fleet, PBS Energy savings Contract, Computers for Learning Program, Improper Payments, and financial management.
Office of the Deputy Administrator (OPM/GSA Transition Team)	N/A	Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch	N/A	New in FY19. Focused entirely on OPM integration, citing challenges associated with aggressive timeline, transfer of employees, services continuity, and Congressional authority.

Office of Audits
Office of Inspector General
U.S. General Services Administration

CUSTOMER SATISFACTION QUESTIONNAIRE – INTERNAL AUDITS

How are we doing? Our intent with this fillable questionnaire is to continually improve the products and services we provide. This questionnaire asks you to indicate your level of satisfaction with key aspects of the report cited below and related services provided. Please return the completed questionnaire to the Office of Inspector General, Office of Audit Planning, Policy, and Operations Staff (JAO), as soon as possible. Thank you in advance for your cooperation.

Report Title: Audit of PBS's American Recovery and Reinvestment Act Sustainability Results

Report Number: A150026/P/R/R18003

Please indicate your response to the following statements by clicking the box under the appropriate response.

Rating Scale:
- 5 - Strongly Agree
- 4 - Agree
- 3 - Neither Agree nor Disagree
- 2 - Disagree
- 1 - Strongly Disagree
- N/A - Not Applicable

	5	4	3	2	1	N/A
1. The audit:						
a. Addressed a significant process or function performed by your office.	☐	☐	☐	☐	☐	☐
b. Addressed a problem area or an area that management deems to be a high priority.	☐	☐	☐	☐	☐	☐
c. Provided results and recommendations that you can use to improve your operations, controls, and/or performance.	☐	☐	☐	☐	☐	☐
2. The report:						
a. Presents the audit results accurately.	☐	☐	☐	☐	☐	☐
b. Presents the audit results fairly.	☐	☐	☐	☐	☐	☐
c. Provides a logical, clear, concise explanation of the audit results.	☐	☐	☐	☐	☐	☐
d. Provides adequate coverage of the area audited.	☐	☐	☐	☐	☐	☐
3. The auditors:						
a. Kept you informed during the audit.	☐	☐	☐	☐	☐	☐
b. Listened to and fully considered your comments throughout the audit.	☐	☐	☐	☐	☐	☐
c. Provided oral and/or written results in a timely manner.	☐	☐	☐	☐	☐	☐
d. Conducted the audit in a professional manner.	☐	☐	☐	☐	☐	☐

4. Comments: ______________________________

Please provide the following information.

Name: ______________________ Office Symbol: ____________

Position: ______________________ Phone Number: ____________

Please complete this form electronically and email it to jao@gsaig.gov.

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

SEP 28 2018

TO: EMILY W. MURPHY
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA
INSPECTOR GENERAL (J)

SUBJECT: GSA Office of Inspector General's Fiscal Year 2017 Risk Assessment of GSA's Charge Card Program
Audit Memorandum Number A180027

We conducted a risk assessment of GSA's charge card program to identify and analyze risks of illegal, improper, or erroneous purchases related to GSA's purchase and travel cards. We based our risk assessment on limited purchase card testing and our *Audit of GSA's Fiscal Year 2017 Travel Card Program* (travel card audit).[1]

Through our limited purchase card testing, we noted the Office of Administrative Services' (OAS) improvement in its follow-up rate for high-risk transactions that it previously deemed questionable (e.g., purchases containing the words casino, hotel, or party). However, we also found that OAS should improve its purchase card controls to ensure that cardholders upload supporting documentation into GSA's system of record. In our travel card audit, we found that cardholders continue to perform well in loading supporting documentation into GSA's travel card system of record. However, OAS needs to provide its travel card questionable charges reports to supervisors in a timely manner and ensure those reports are responded to in a timely manner.

Figure 1 presents our Fiscal Year (FY) 2017 assessment ratings for GSA's purchase and travel card programs. Our assessment ratings are consistent with our FY 2016 risk assessment.[2]

[1] *Audit of GSA's Fiscal Year 2017 Travel Card Program* (Report Number A180031/O/R/A180031/O/R/F18005, September 25, 2018).

[2] *GSA Office of Inspector General's Fiscal Year 2016 Risk Assessment of GSA's Charge Card Program* (Audit Memorandum Number A170042, September 22, 2017).

Figure 1 – Results of Risk Assessment

Charge Card Program	Assessed Level of Risk
Purchase Card	Moderate
Travel Card	Low

Background

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was enacted to prevent waste, fraud, and abuse that may exist in federal charge card programs. The Charge Card Act and Office of Management and Budget Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require Inspectors General to annually conduct risk assessments of purchase and travel card programs. These assessments analyze the risks of illegal, improper, or erroneous purchases and payments. Inspectors General are required to use these risk assessments to determine the necessary scope, frequency, and number of audits to be performed in these areas.

In FY 2017, GSA used its purchase cards for goods and services totaling $29.4 million. GSA purchase cards are centrally billed accounts, meaning liability for all purchases rests with GSA. Travel card spending for FY 2017 totaled $10.1 million. GSA travel cards are individually billed, meaning liability for purchases rests with the cardholder. As GSA is obligated to pay the balance for purchase card transactions, purchase cards inherently carry more risk than travel cards.

Risk Assessment Methodology

Our risk assessment is based on our limited testing of FY 2017 purchase card transactions and our travel card audit. The methodology is discussed in detail below.

Purchase Card Risk Assessment

Our risk assessment determined that GSA's purchase card program has a moderate risk level. For this risk assessment, we performed limited testing over FY 2017 purchase card transactions. Specifically, we:

- Examined relevant criteria including public laws, an executive order, Office of Management and Budget Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and GSA directives, purchase card policies, and procedures;
- Reviewed our prior audit reports related to the purchase card program issued by the GSA Office of Inspector General;
- Reviewed OAS's 2017 charge card risk assessment;
- Performed trend analyses of cardholder and regional spending for FY 2017 purchase card transactions;

- Selected a random sample of 20 transactions below the micro-purchase threshold,[3] and 5 transactions above the micro-purchase threshold, to determine whether purchase card transactions were fully supported;
- Analyzed queries in Citibank's Electronic Monitoring System (EMS) tool to determine whether EMS is appropriately flagging questionable charges;
- Reviewed purchase card questionable charges reports to determine whether there was adequate resolution of questionable charges;
- Selected a random sample of 15 questionable charges with no response from a cardholder's supervisor to determine if the transactions were appropriate and fully supported; and
- Verified that OAS is testing split transactions, which are transactions that result from separating a single purchase into multiple transactions to circumvent procurement requirements.

We found that some cardholders are still failing to upload the required supporting documentation for purchase card transactions in Pegasys, the purchase card system of record. Specifically, 5 of the 25 transactions we tested did not have all of the required supporting documentation in Pegasys. We did find improvement in OAS' response to questionable charges. Our FY 2015 purchase card audit found that OAS failed to follow up on 28 percent of questionable charge non-responses from cardholders' supervisors.[4] Our testing of the FY 2017 transactions found that the failure to follow up on non-responses fell to 1.4 percent. Finally, in FY 2017, OAS continued its testing to identify and evaluate potentially split purchase card transactions. OAS resolved any potential issues by discussing them with the respective cardholders.

Based on our limited purchase card testing, our risk assessment rating for GSA's purchase card program is moderate. We found that while OAS made improvements to its follow-up rate for high-risk transactions, OAS needs to improve controls over cardholders loading supporting documentation into GSA's purchase card system of record.

Travel Card Risk Assessment

Our risk assessment determined that GSA's travel card program has a low risk level. This risk assessment is based on the results of our travel card audit that examined travel card transactions processed and approved during FY 2017. Specifically, we:

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[3] A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures. The threshold for these simplified procedures was under $3,500 for our review period.

[4] *GSA's Purchase Card Program is Vulnerable to Illegal, Improper, or Erroneous Purchases* (A16022/O/R/F/16004, September 30, 2016.)

- Examined relevant criteria, including public laws, an executive order, Office of Management and Budget Memorandum M-13-12, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and GSA directives, travel card policies, and procedures;
- Reviewed our prior audit reports related to the travel card program issued by the GSA Office of Inspector General;
- Performed a trend analysis of cardholder and regional spending using all FY 2017 travel card transactions;
- Tested travel card transactions to determine the validity of purchases made, to confirm the completeness of documentation maintained in the travel system, and to determine compliance with GSA travel card policies;
- Reviewed questionable travel card transactions to determine whether there was adequate resolution;
- Analyzed queries in Citibank's EMS tool to determine whether EMS is appropriately flagging questionable charges;
- Selected a random sample of 35 travel card transactions, and a judgmental sample of 10 transactions for the five individuals with the highest total dollar amount of travel, to determine whether the GSA travel card was used for official travel in accordance with travel card policy;
- Selected a random sample of 25 travel card cash advances, a judgmental sample of 15 cash advances for the five individuals with the highest dollar amount of cash advances, and 16 cash advances with no supervisor response or follow-up, to determine whether the GSA travel card was used for official travel in accordance with travel card policy; and
- Reviewed a list of separated employees to determine if their travel card accounts were closed in accordance with travel card policy.

We found that GSA travelers consistently upload the required supporting documentation into Concur, the travel card system of record. However, OAS can improve its questionable charges monitoring control. We noted that GSA's Travel Policy and Charge Card Program Office personnel, housed within OAS, are not providing supervisors for GSA's travel cardholders with questionable charges reports in a timely manner. This severely limits the ability of supervisors and OAS to detect and address travel card misuse and abuse. Further, we found that OAS regional coordinators continue to not follow up on questionable charges when they do not receive a response from a cardholder's supervisor.

Based on the results of our travel card audit, our risk assessment rating for GSA's travel card program is low. We found that, while travel cardholders continue to perform well in loading supporting documentation into GSA's travel card system of record, OAS needs to improve its controls over its questionable charges monitoring process.

I would like to thank you and your staff for your assistance during this risk assessment. If you have any questions regarding this audit memorandum, please contact me at 202-501-0450, or R. Nicholas Goco, Assistant Inspector General for Auditing, at 202-501-2322.

Memorandum Distribution

GSA Administrator (A)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)

Office of Audits
Office of Inspector General
U.S. General Services Administration

Audit of GSA's Fiscal Year 2017 Travel Card Program

Report Number A180031/O/R/F18005
September 25, 2018

Executive Summary

Audit of GSA's Fiscal Year 2017 Travel Card Program
Report Number A180031/O/R/F18005
September 25, 2018

Why We Performed This Audit

Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012,* requires audits for travel card programs with $10 million dollars in prior year travel spending. GSA's travel card spending for Fiscal Year 2017 exceeded $10 million dollars for the first time since 2012. The objectives of our audit were to determine whether: (1) GSA's travel card program has controls in place to ensure travel cardholders complied with GSA's travel card policies; and (2) GSA travel card transactions processed in Fiscal Year 2017 were properly and fully supported, reported, and approved.

What We Found

We found that GSA's Travel Policy and Charge Card Program Office personnel, housed within the Office of Administrative Services (OAS), are not ensuring that supervisors for GSA's travel cardholders receive questionable charges reports in a timely manner. This severely limits supervisors' and OAS' ability to detect and address travel card misuse and abuse. Further, we found that OAS regional coordinators continue to not follow up on questionable charges when they do not receive a response from a cardholder's supervisor.

What We Recommend

We recommend that the Chief Administrative Services Officer do the following:

1. Specify a timeframe for distributing the Travel Card Policy Office's travel card questionable charges report to the OAS regional coordinators.
2. Implement a process to ensure that OAS regional coordinators follow up on questionable charges. The process should include provisions to:
    a. Monitor resolution of the questionable charges in accordance with the required timeframe;
    b. Ensure that regional coordinators receive and review the validity of responses from cardholders' supervisors to the questionable charges reports; and
    c. Require and enforce the restriction of travel card use when cardholder supervisors are unresponsive to the travel card questionable charges reports.

The Chief Administrative Services Officer agreed with our findings and recommendations. See GSA's full written response in its entirety at ***Appendix B***.

Table of Contents

Introduction

We performed an audit of GSA's Fiscal Year (FY) 2017 travel card program. We evaluated the Office of Administrative Services' (OAS') implementation of travel card policies and procedures, and analyzed GSA's FY 2017 travel card transactions.

Purpose

Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012,* requires audits for travel card programs with $10 million dollars in prior year travel spending. GSA's travel card spending for FY 2017 exceeded $10 million dollars for the first time since 2012.

Objectives

The objectives of our audit were to determine whether: (1) GSA's travel card program has controls in place to ensure travel cardholders complied with GSA's travel card policies; and (2) GSA travel card transactions processed in FY 2017 were properly and fully supported, reported, and approved.

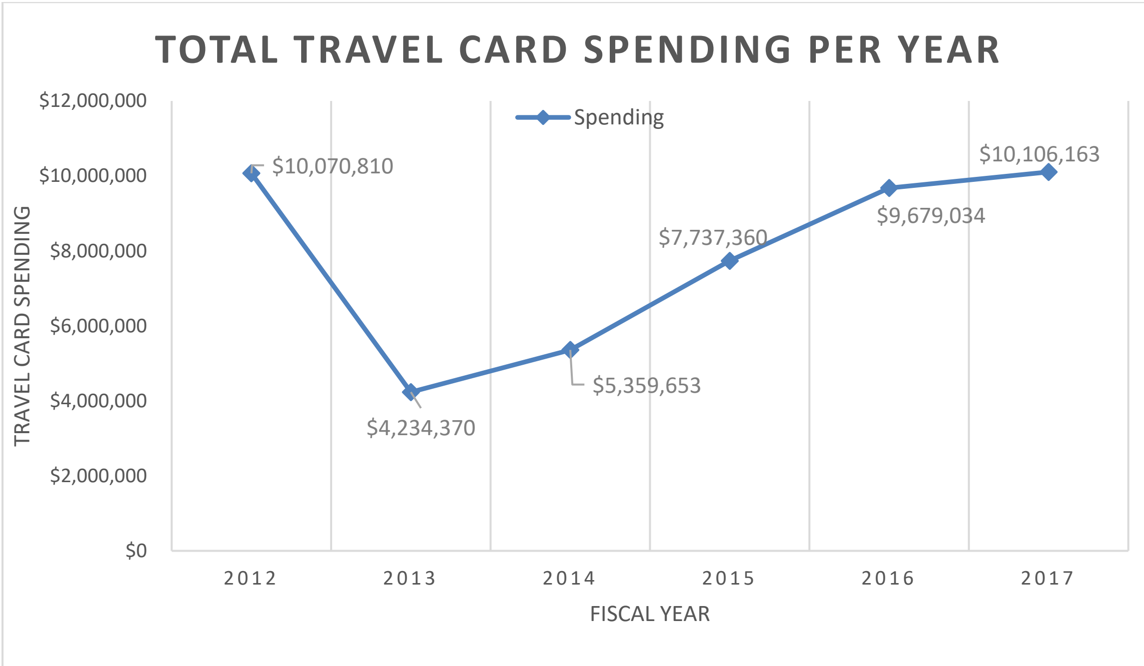
See ***Appendix A*** – Scope and Methodology for additional details.

Background

GSA's Travel Policy and Charge Card Program Office (Travel Card Policy Office), housed within its OAS, has oversight responsibility for the Agency's travel card program. The primary policies guiding the travel card program are OAS Order 5740.1, *Government Travel Charge Card Program Policy*, and the *Charge Card Management Plan for General Services Administration Purchase and Travel Card Programs* (Charge Card Management Plan).

As shown in *Figure 1*, FY 2017 travel card spending was $10.1 million, a $400,000 increase from FY 2016 spending.

Figure 1 – Travel Card Spending from FY 2012 to FY 2017



The October 5, 2012, Government Charge Card Abuse Prevention Act of 2012 (Pub. L. 112-194), requires Inspectors General to conduct annual charge card risk assessments and use the assessments to determine the necessary scope, frequency, and number of audits or reviews of agency charge card programs.

Personnel within the Travel Card Policy Office are responsible for developing travel card policy for GSA employees and other authorized individuals traveling on official government business for GSA. Their duties include providing oversight and guidance to employees, OAS regional coordinators, and cardholders' supervisors. They also analyze travel card transactions and provide monthly questionable charges reports to OAS regional coordinators for review and action. The Travel Card Policy Office accomplishes this task by using Citibank's Expert Monitoring System (EMS) to search travel card transactions for charges that it deems questionable (e.g., purchases containing the words casino, party, QVC) and generating a monthly report which it provides to OAS regional coordinators. OAS regional coordinators are responsible for providing the questionable charges report to cardholders' supervisors and monitoring the supervisors' resolution. Supervisors are then responsible for responding to questionable charges reports and taking any necessary disciplinary action for their cardholders, as required by GSA policy.

Results

In reviewing GSA's FY 2017 travel card transactions, we found that Travel Card Policy Office personnel are not ensuring that supervisors for GSA's travel cardholders receive questionable charges reports in a timely manner. For example, one cardholder inappropriately used her travel card 58 times from May to September 2017. Because the cardholder's supervisor did not receive the questionable charges reports in a timely manner, the cardholder was able to continue to make inappropriate charges undetected. Additionally, OAS regional coordinators failed to follow up on questionable charges when they did not receive a response from a cardholder's supervisor, despite our observation of this same issue in our previous *Audit of GSA's Fiscal Year 2016 Travel Card Program*.[1]

Finding 1 – The Travel Card Policy Office did not ensure that supervisors for GSA's travel cardholders received questionable charges reports in a timely manner, increasing the risk that travel card misuse and abuse would not be identified.

We found the Travel Card Policy Office does not ensure that supervisors for GSA's travel cardholders receive questionable charges reports in a timely manner. Travel Card Policy Office personnel are responsible for preparing and finalizing the questionable charges reports and sending the reports to OAS regional coordinators. Within 30 days receipt of each report, the OAS regional coordinators are responsible for monitoring the resolution of the questionable charges. This includes obtaining explanations from cardholders' supervisors for the charges in question and maintaining supporting documentation for 3 years.

We also found that Travel Card Policy Office personnel and OAS regional coordinators do not ensure the distribution of questionable charges reports to cardholders' supervisors in a timeframe that makes the information relevant and useful for detecting and preventing travel card misuse and abuse. Further, the Charge Card Management Plan does not identify a required timeframe for Travel Card Policy Office personnel to provide OAS regional coordinators with each month's questionable charges report. In one example, a supervisor did not receive his June 2017 questionable charges report until December 2017, 6 months from the questionable charge itself. *Figure 2* shows the length of time it took for two regional coordinators to provide cardholders' supervisors their May to September 2017 questionable charges reports.

[1] *Audit of GSA's Fiscal Year 2016 Travel Card Program* (Report Number A170019-1, September 19, 2017).

Figure 2 – Distribution of Questionable Charges Reports to Supervisors

Monthly Questionable Charges Report	Regional Coordinator A	Regional Coordinator B
	Number of Days from End of Billing Cycle to Supervisor Receipt	Number of Days from End of Billing Cycle to Supervisor Receipt
May 2017	112	161
June 2017	Not Sent	177
July 2017	70	135
August 2017	110	116
September 2017	107	94

As seen in *Figure 2* above, the Travel Card Policy Office is not ensuring that supervisors receive questionable charges reports in a timely manner. One OAS regional coordinator never distributed the June 2017 questionable charges report, stating her workload prevented her from doing so. These delays and failures to distribute the questionable charges reports impede the supervisory review process, thereby increasing risk to the travel card program.

For example, between May and September 2017, one cardholder made 58 improper purchases and cash advances on her travel card before her supervisor detected the questionable charges. This occurred because the supervisor did not receive the May questionable charges report from the OAS regional coordinator until September 2017. Upon receiving the report, the supervisor immediately began to investigate the charges; however, if the OAS regional coordinator had notified the supervisor sooner, the supervisor could have taken action to minimize the number of improper transactions.

This particular situation was exacerbated when an OAS regional coordinator gave edit access for the questionable charges report to this same cardholder and her supervisor. Subsequently, the cardholder acted as her supervisor by editing the report and claiming that her travel card was "lost/stolen." We found no evidence that the card was lost or stolen. The Charge Card Management Plan states that the questionable charges report should only be sent to a cardholder's supervisor.

Ultimately, the employee resigned just prior to GSA terminating her for the travel card misuse. If Travel Card Policy Office personnel had measures in place to ensure the cardholder's supervisor received the questionable charges report sooner and edit access was not given to the cardholder, the travel card misuse could have been detected and prevented earlier. The absence of such measures renders the questionable charges report control ineffective at detecting and preventing misuse and makes it difficult for management to take timely corrective actions.

Finding 2 – OAS regional coordinators did not follow up on all questionable travel card transactions, limiting OAS' ability to detect and prevent travel card misuse and abuse.

Travel Card Policy Office personnel flagged 281 questionable transactions in FY 2017. Cardholders' supervisors did not respond to 91 (32 percent) of these questionable charges. Travel Card Policy Office management notified us that they seldom follow up on travel card questionable charges because the liability for the charges rests with the cardholders. However, the Charge Card Management Plan requires that Travel Card Policy Office personnel provide a monthly questionable charges report to cardholders' supervisors. It further requires cardholders' supervisors to follow up on all unauthorized charges and take any necessary disciplinary action as required by GSA policy. OAS regional coordinators are required to monitor the resolution of the charges within 30 days of receiving the questionable charges report.

We previously reported on cardholders' supervisors not responding to questionable charges in our *Audit of GSA's Fiscal Year 2016 Travel Card Program*. We made no recommendation in last year's audit because OAS management informed us of a restructuring that it expected to provide greater oversight over the OAS regional coordinators. However, with 32 percent of FY 2017 questionable charges unresolved, this issue requires further consideration. While GSA is not financially liable for travel card transactions, these monitoring control failures increase the possibility of unauthorized and undetected use of GSA-affiliated credit as well as damage to GSA's reputation.

OAS should establish and implement control processes to ensure that OAS regional coordinators follow up on all questionable travel card transactions, including those where the supervisor does not respond. The control processes should allow the Travel Card Policy Office personnel to monitor the resolution of the questionable charges in accordance with the required timeframe and ensure that regional coordinators receive and review the validity of responses from cardholders' supervisors to the questionable charges reports. Additionally, the control processes should specify the steps that Travel Card Policy Office personnel should take when cardholder supervisors are unresponsive to the travel card questionable charges reports. These steps could include restricting cardholder accounts absent receipt of satisfactory explanations for questionable charges from cardholder supervisors. Without these control processes in place, GSA's primary control against illegal, improper, and erroneous charges becomes ineffective.

Conclusion

We identified deficiencies that increase the risk of illegal, improper, and erroneous charges within GSA's travel card program. The Travel Card Policy Office does not ensure that supervisors for GSA's travel cardholders receive questionable charges reports in a timely manner. Additionally, OAS regional coordinators failed to follow up on questionable charges when they did not receive a response from a cardholder's supervisor. We observed the same issue in our prior year travel card audit. While GSA is not financially liable for travel card transactions, these monitoring control failures create risk for the travel card program and to GSA's reputation (e.g., critical media attention). These control failures also increase the possibility of a cardholder using GSA-affiliated credit contrary to GSA policy and going undetected.

OAS management should take measures to improve the timeliness of issuing questionable charges reports, ensure OAS regional coordinators monitor all questionable charges, and restrict the use of travel cards for accounts with unresolved questionable charges.

Recommendations

We recommend that the Chief Administrative Services Officer do the following:

1. Specify a timeframe for distributing the Travel Card Policy Office's travel card questionable charges report to the OAS regional coordinators.
2. Implement a process to ensure that OAS regional coordinators follow up on questionable charges. The process should include provisions to:
    a. Monitor resolution of the questionable charges in accordance with the required timeframe;
    b. Ensure that regional coordinators receive and review the validity of responses from cardholders' supervisors to the questionable charges reports; and
    c. Require and enforce the restriction of travel card use when cardholder supervisors are unresponsive to the travel card questionable charges reports.

GSA Comments

The Chief Administrative Services Officer agreed with our findings and recommendations. See GSA's full written response in its entirety at ***Appendix B***.

Audit Team

This audit was managed by the Real Property and Finance Audit Office and conducted by the individuals listed below:

Marisa A. Roinestad	Associate Deputy Assistant Inspector General for Auditing
Cairo Carr	Audit Manager
John Brandon	Auditor-In-Charge
Benjamin R. Diamond	Auditor

Appendix A – Scope and Methodology

We examined travel card transactions processed and approved by GSA travel cardholders, cardholders' supervisors, and OAS regional coordinators during FY 2017.

To accomplish our objectives, we:

- Examined relevant criteria, including public laws; executive orders; Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012;* and GSA directives, travel card policies, and procedures;
- Reviewed prior audit reports related to the travel card program issued by the GSA Office of Inspector General;
- Performed a trend analysis of cardholder and regional spending using all FY 2017 travel card transactions;
- Tested travel card transactions to determine the validity of purchases made, to confirm the completeness of documentation maintained in the travel system, and to determine compliance with GSA travel card policies;
- Reviewed questionable travel card transactions to determine whether there was adequate resolution through the review process;
- Analyzed queries in Citibank's EMS tool to determine whether EMS is appropriately flagging questionable charges;
- Reviewed a list of separated employees to determine if their travel card accounts were closed in accordance with travel card policy;
- Selected a random sample of 35 and a judgmental sample of 10 travel card transactions for the five individuals with the highest total dollar amount of travel transactions to determine whether the GSA travel card was used for official travel in accordance with travel card policy;
- Selected a random sample of 25 and a judgmental sample of 15 travel card cash advances for the five individuals with the highest dollar amount of cash advances to determine whether the GSA travel card was used for official travel in accordance with travel card policy; and
- Analyzed 16 questionable travel card cash advance transactions that had no supervisor response or further OAS follow-up.

We conducted the audit between November 2017 and June 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objectives of the audit.

Appendix B – GSA Comments

GSA

Office of Administrative Services

September 18, 2018

MEMORANDUM TO MARISA A. ROINESTAD
ASSOCIATE DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITING
REAL PROPERTY AND FINANCE AUDIT OFFICE (JA-R)

FROM: BOB STAFFORD
CHIEF ADMINISTRATIVE SERVICES OFFICER
OFFICE OF ADMINISTRATIVE SERVICES (H)

SUBJECT: GSA's Fiscal Year 2017 Travel Card Program (A180031)

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) audit of GSA's fiscal year (FY) 2017 Travel Card program. We appreciate the work of your team on this evaluation and agree with the findings and recommendations.

As a result of the observations made by OIG of the fiscal year 2016 Risk Assessment of GSA's Charge Card Program (A170042), the Office of Administrative Services (OAS) has already taken action to improve oversight and accountability in the travel card program. During this past year, OAS established a travel card team with two charge card coordinators and a team lead. The coordinators run normal daily operations for their designated regions, while the team lead monitors, tracks, and follows-up on resolution of questionable monthly charges. Controls now in place limit the charge card coordinators to 20 business days to follow-up with the cardholders' supervisors, obtain justification for the charges, and, if there is no response from the supervisor, suspend the travel card accounts of cardholders until a resolution is achieved.

OAS will continue to build on the improved oversight framework we have. In addition, we are developing a corrective action plan to address the two remaining audit recommendations.

Again, thank you for the opportunity to comment on this report. Should you have any questions, please contact Nancy Hexmoor, Director of the Charge Card Services Division, at 202-501-3858.

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Appendix C – Report Distribution

Administrator (A)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)

U.S. General Services Administration
Office of Inspector General

October 13, 2017

MEMORANDUM FOR TIMOTHY O. HORNE
ACTING ADMINISTRATOR (A)

FROM: CAROL F. OCHOA
INSPECTOR GENERAL (J)

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2018

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the fiscal year 2017 Agency Financial Report, the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA in fiscal year 2018.

This year we have identified significant challenges in the following areas:

1. Enhancing Government Procurement.
2. Maximizing the Performance of GSA's Real Property Inventory.
3. Sustaining Technology Transformation Services, FAS.
4. Making Agency Cybersecurity a Priority.
5. Efficiently Managing Human Capital to Accomplish GSA's Mission.
6. Safeguarding Federal Facilities and Providing a Secure Work Environment.

Please review at your earliest convenience. If you have any questions or wish to discuss our assessment further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact R. Nicholas Goco, Assistant Inspector General for Auditing, at (202) 501-2322.

Attachment

GSA'S MANAGEMENT AND PERFORMANCE CHALLENGES FOR FISCAL YEAR 2018

OFFICE OF INSPECTOR GENERAL

Challenge 1: Enhancing Government Procurement

GSA's Federal Acquisition Service (FAS) operates to create efficiency in the federal government's acquisition of goods and services. FAS seeks to accomplish this by leveraging the buying power of the federal government to obtain necessary products and services at the best value possible. However, FAS faces challenges in fulfilling its mission to meet its customers' needs effectively, efficiently, and economically.

FAS is undertaking multiple initiatives with the goal of being recognized as the government's primary acquisition marketplace. The initiatives include a significant reliance on data from multiple sources, the realignment of its workforce, a continued shift in price analysis techniques, and the consolidation of ten procurement-related systems into one. These initiatives and changes are aimed at enhancing government procurement, but they also apply new methodologies and significantly change FAS's processes and programs, affecting both its employees and its customer agencies.

Support and Adoption of Category Management

In fiscal year (FY) 2014, the Office of Management and Budget, Office of Federal Procurement Policy, introduced category management to: strengthen federal acquisition practices, leverage federal agencies' buying power, eliminate duplicative contracts, and collectively manage commonly purchased goods and services.[1] The intent of category management is to increase government agencies' efficiency and effectiveness while reducing costs and redundancies. Thus, category management has been designed to allow the federal government to act as one buying entity.

As the leader in government procurement, FAS has implemented two significant practices in support of category management. First, FAS has championed the Acquisition Gateway; and second, it has committed its internal acquisition workforce to executing this initiative. Each presents its own unique challenges.

Acquisition Gateway. FAS created the Acquisition Gateway as a portal for the government contracting community to connect and find acquisition related information in an effort to improve the speed and quality of federal purchases. Ultimately, the Acquisition Gateway is intended to decrease costs and reduce duplicative contracts, which aligns with the goals of category management.[2]

[1] Office of Management and Budget memorandum, *Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (December 4, 2014).
[2] *U.S. General Services Administration Annual Performance Plan and Report,* Fiscal Year 2017.

The Acquisition Gateway is organized under ten government spend categories identified by the Office of Management and Budget. As of FY 2017, the Acquisition Gateway contains nearly 300 samples of acquisition documents; 1,000 acquisition-related articles, lessons learned, and templates; and over 200,000 searchable requests for quotes. In FY 2016, FAS spent $10.8 million on the Acquisition Gateway and additional funding for further development is planned for FYs 2017 and 2018.

As the Acquisition Gateway matures and additional government funds are expended to support it, FAS is challenged with how to measure the success and effectiveness of the portal. Thus far, FAS has measured the Acquisition Gateway's success by the quantity of registered users and the number of federal agencies using it. However, FAS must also consider the number of returning, active users that are contributing accurate, useful, and accessible information to the portal and the resulting effect on government procurement. In addition, as various users are urged to contribute to the portal, it is important for FAS to ensure that the information in the portal is reliable and valid. These aspects are critical to analyze progress, measure the portal's effectiveness, and ultimately, determine if this information sharing is leading to better procurements. FAS can then use what it learns to provide valuable insight to the acquisition community on the effects of category management and be better positioned to perform as the government's procurement leader.

Absent the use of such measures, FAS will be challenged to ensure the success of the Acquisition Gateway. The success of the Acquisition Gateway should not be judged solely by the quantity of users and content, but by whether it is actually helping federal agencies acquire goods and services at fair and reasonable prices.

Acquisition Workforce Support. The Office of Management and Budget memorandum *Transforming the Marketplace: Simplifying Federal Procurement*, *Drive Innovation, and Increase Savings* requires the federal government to reshape the way it does business through category management. In reshaping its operations, FAS committed to the initiative and restructured its workforce to align with category management.

The workforce realignment primarily shifted resources among various FAS portfolios to align with the Office of Management and Budget's government spend categories. However, FAS management must be alert for unintended consequences, such as duplication of effort or reduced productivity during the transition. For FAS to benefit from the realignment of its workforce to support category management, full and open communication about shifting resources and responsibilities is necessary.

Emphasis on Reducing Government Price Variability

GSA has launched several pricing initiatives that focus on reducing price variability. Principal among these initiatives are the Transactional Data Reporting rule, the Formatted Product Tool, and the Contract Awarded Labor Category Tool. However, these initiatives either have not been fully implemented as intended or do not consider factors that are essential to ensure that a valid price comparison is conducted. Additionally, these initiatives only use comparisons between government contract pricing to reduce variability, significantly severing the link between government pricing and the commercial marketplace.

As it works to address these challenges, GSA still must ensure that it can fulfill its responsibility to achieve and maintain fair and reasonable pricing for customer agencies and drive savings for the taxpayer.

Transactional Data Reporting. GSA is currently implementing the Transactional Data Reporting rule, which was formalized in the Federal Register in June 2016, as a pilot program. Under this pilot, contractors can voluntarily opt to electronically report the prices GSA customers pay for contract products and services. However, using this data to make comparisons and reduce price variability will be difficult because GSA's Schedules Program includes non-standard products and services.[3] The transactional data GSA receives also may not provide useful pricing information for contracting officers because of how the data is reported. For example, if a contractor's transactional data submission includes bundled product and pricing information, it will not be useful for price analysis of products on the GSA contract that are priced as individual components. Furthermore, contracting officers will compare a contractor's offered price to a limited subset of prices paid by federal customers on actual GSA schedule sales, which ignores any comparable commercial activity.

Formatted Product Tool. In 2015, FAS launched the Competitive Pricing Initiative in an effort to address concerns over price variability in the Schedules Program. This initiative, which focuses on products sold through the program, centers around an analysis of a contractor's current contract (or proposed) pricing compared to prices offered by other contractors for an identical product in the government marketplace. The intent is to address price variabilities and ultimately improve schedule pricing.

The Competitive Pricing Initiative is built around the Formatted Product Tool, which is intended to identify outlier pricing. FAS established this tool to help schedule contractors and GSA contracting officers negotiate competitive prices for schedule products with identical manufacturer part numbers. One challenge to meeting this goal is that although the Formatted Product Tool may identify a contractor's pricing as falling outside the acceptable range for a product, no contractual obligation requires the contractor to lower its prices or remove the product from its schedule contract. Another concern is that the Formatted Product Tool's price comparisons may not be accurate. For example, as we have noted in the course of our audits, two contractors may offer identical items using different manufacturer part numbers. The Formatted Product Tool would not compare those items and thus would fail to detect any price differences between them.

Users have also experienced significant system issues with the Formatted Product Tool, such as difficulty uploading pricing data and generating pricing documents and analysis. Because of these issues, GSA has suspended the tool's full deployment. GSA initially

[3] GSA's Schedule Program is also referred to as Multiple Award Schedules and Federal Supply Schedules programs.

planned to use the tool for six schedules beginning no later than the first quarter of FY 2017, but has since scaled back the deployment to a voluntary pilot on only two of the six schedules.

Contract Awarded Labor Category Tool. The Contract Awarded Labor Category Tool is designed to assist contracting officers in evaluating pricing for services. It is intended to allow contracting officers to conduct market research from a database of government contract prices for approximately 56,000 labor categories in over 5,000 contracts under GSA's Professional Services and Information Technology schedules. This tool allows contracting officers to search contract prices by labor category and filter by education level, experience, and worksite. However, because contractors often use unique pricing on task orders, the tool does not provide the actual government prices paid by labor category or the discounts granted to customer agencies. Furthermore, the tool does not consider factors such as geographic location or basic labor category qualification requirements, including specialized experience or skills and mandated professional licensing or certifications, which are essential to ensuring that the comparison is valid.

While none of these initiatives or tools completely eliminate price variability, they all ignore the commercial marketplace and emphasize the acceptance of pricing within an acceptable range based solely on the GSA schedule marketplace, increasing the likelihood that the government will overpay for the same products and services purchased commercially. As GSA continues to apply these tools and initiatives, it must develop means to ensure they maintain a crucial link to the commercial market. GSA must avoid circumstances in which government customers are paying significantly more for the same products and services that are purchased commercially.

Delivering the System for Award Management

GSA is responsible for the System for Award Management (SAM), which is a Presidential e-Government initiative to consolidate ten existing procurement-related systems into one. These legacy systems (referred to as the Integrated Award Environment) are primarily used by those who award, administer, or are awarded federal contracts and intergovernmental transactions, such as grants or other federal assistance. Started in 2008, this initiative has historically overrun timeframes and incurred increased costs. Given the systems' nearly 4 million federal users, diligent project and fiscal management are necessary to ensure SAM's completion and system quality.

Since its inception, FAS has confronted a number of significant challenges to the SAM project. In addition to the daunting task of consolidating ten legacy systems under a complex governance structure, FAS has faced funding constraints, contractor performance issues, and high turnover of project staff. FAS also changed its system development approach. As a result of these challenges, the project – which GSA once expected to complete by 2014 – is not estimated for completion until 2021.

The project delays have also led to significant costs, as FAS must keep legacy systems functioning until the consolidation is finalized. FAS reports the total actual and projected costs for the development of SAM and operation and maintenance for the legacy systems, from FYs 2010 through 2019, are approximately $813 million.

GSA has updated the SAM consolidation project milestones; however, risks remain that have the potential to further delay the project's completion. For instance, although FAS is discouraging all but critical or urgent changes to the system in order to focus available resources on the consolidation effort, system changes may be necessary to ensure compliance with updates to regulations or policy or fulfill requests from governance bodies.

Additionally, GSA must act to address the need for uniquely identifying and validating recipients of federal funding in SAM. This is driven by: (1) a Federal Acquisition Regulation final rule that eliminated the use of Dun and Bradstreet's proprietary Data Universal Numbering System as the unique identifier, and (2) the 2018 expiration of Dun and Bradstreet's current GSA contract.

The success of the SAM initiative is critical to enable agencies to share acquisition data and make informed decisions, make it easier for contractors to do business with the government, and generate savings for the taxpayer. While GSA has taken steps to improve and stabilize the project, it must apply sound management practices to identify and address risks to project completion and to ensure the project is delivered in a cost effective and timely manner.

Challenge 2: Maximizing the Performance of GSA's Real Property Inventory

GSA must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, GSA should plan the best approach to: reducing and consolidating space, disposing and exchanging federal property, and reducing leasing costs; meeting the operations and maintenance needs of aging buildings; and ensuring effective management of energy and utility contracts.

Reducing and Consolidating Space

To meet the Office of Management and Budget's "Freeze the Footprint" and "Reduce the Footprint" mandates, GSA analyzes opportunities to improve space utilization in its real property portfolio. However, space reduction and consolidation projects should not only be focused on meeting utilization rate goals, but must also support the customer agency mission and achieve an adequate cost payback.

Since FY 2014, Congress has provided GSA with the authority to use funds for space consolidation projects. Most recently in FY 2017, Congress authorized the use of $48 million from the Federal Buildings Fund to reconfigure and renovate space within GSA-owned and leased buildings. Congress called for preference to be given to consolidation projects that achieve a utilization rate of 130 usable square feet or less per person. GSA plans to use the funds to improve space utilization, decrease its reliance on leases, and reduce the federal footprint. The goal of these projects is to enable agencies to consolidate within space that more efficiently meets their mission needs while, at the same time, reducing costs to the American taxpayer.

However, GSA is challenged with ensuring it selects projects that will achieve measurable benefits, rather than simply reducing the federal building portfolio. In a time of limited funding, GSA must select the reduction and consolidation projects that will allow it to best maintain its buildings, meet its customers' needs, and lower the total cost incurred by government. For example, while GSA's tenants benefit from a reduced footprint's lower lease costs, GSA risks significant losses to the Federal Buildings Fund if it cannot backfill the vacated space that remains under lease. There are also additional costs if GSA forces an agency to move as part of a consolidation project. In these situations, GSA funds all reasonable costs associated with the relocation of the vacating agency, including design, move coordination and physical relocation, and relocation and installation of telecommunications and information technology equipment.

As GSA continues to facilitate agency consolidation projects, it must ensure that the consolidation projects are cost effective and provide an adequate payback. GSA needs to avoid consolidation projects that improve space utilization, but that are not cost effective and that disrupt agency operations for minimal benefits.

Disposing and Exchanging Federal Property

Over the past several years, Congress has focused on the disposal of excess federal property. The Federal Assets Sale and Transfer Act of 2016 creates the Public Buildings Reform Board to identify opportunities to reduce the federal real property inventory and make recommendations to sell vacant or underutilized properties. While this focus should reduce federal real estate expenditures and the size of the federal real estate portfolio, GSA must plan for and navigate through a complex process when disposing of its own properties and the properties of other federal agencies.

The disposal process can be lengthy. After an agency reports a property as excess, GSA must first determine if another federal agency can use the property. Next, GSA has to make the property available for public benefit uses, such as homeless shelters, educational facilities, or fire or police training centers. If the property is not fit for those uses, GSA can negotiate a sale with state and local governments, as well as nonprofit organizations and institutions. Finally, if the property remains available, GSA can conduct a competitive sale of the property to the public.

The amount of time that a disposal takes is problematic because costs are still being incurred. While a property is vacant or underutilized as well as throughout the entire disposal process, the federal government is responsible for ongoing maintenance, operations, and security costs. For example, at the vacant West Heating Plant in Washington, D.C., the government was responsible for $3.5 million in maintenance costs over 10 years before the building was sold at public auction in March 2013.

In September 2016 testimony to the Subcommittee on Transportation and Public Assets of the U.S. House Committee on Oversight and Government Reform, the then Public Buildings Service (PBS) Deputy Commissioner stated that GSA planned to divest at least 10 million square feet of underperforming assets over the next 4 years.[4] To reduce the length of the disposal process and costs associated with underperforming assets, GSA must successfully plan for and efficiently progress through the required steps.

Due to tight budgets, GSA has also been pursuing exchanges. Real property exchanges allow GSA to transfer underutilized properties out of its inventory, and unlike disposals, allow GSA to use the value of the transferred property to obtain another property or finance construction needs on other projects. However, as reported in our *Audit of PBS's Planning and Funding for Exchange Projects,* exchange projects are complicated to execute.[5] Exchanges require GSA to invest considerable resources in planning and negotiating exchanges upfront, prior to the completion of the exchange. Because title of the property is not transferred until after construction has been completed, the exchange partner has significant upfront costs before realizing a return on investment. This lag time has caused potential developers to account for risk in the valuation of properties, often coming in well below GSA's expected value.

GSA has begun pursuing large-scale competitive exchanges, different than the smaller-scale exchanges previously completed. For example, in January 2017, GSA signed a $750 million exchange agreement for the Volpe National Transportation Systems Center in Cambridge, Massachusetts. However, GSA has not been successful with all exchange projects. GSA cancelled or chose not to pursue four large-scale exchanges in process. GSA should ensure that a property exchange arrangement is the most appropriate method to meet its needs before exhausting the time, effort, and money associated with planning and management of exchange projects.

Reducing Leasing Costs

In June 2015 testimony to the U.S. Senate Committee on Homeland Security and Governmental Affairs and the U.S. House Committee on Transportation and Infrastructure, Subcommittee on Economic Development, Public Buildings, and Emergency Management, the former PBS Commissioner noted that in addition to the focus on freezing the footprint, GSA must also focus on the cost of the footprint, in particular as it pertains to leasing. To maximize competition in leasing and control lease costs, GSA must reduce the reliance on holdovers and extensions.

A holdover is created when the tenant continues to occupy the premises beyond the expiration date of the lease term. The government has no contractual right to continue occupancy, but remains in place without a written agreement. An extension is a sole source, negotiated agreement between the lessor and the government allowing the tenant

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[4] In FY 2016, GSA partnered with agencies to dispose of 134 properties for $28.84 million, resulting in a 2.3 million square foot reduction in the federal footprint.
[5] Report Number A160024/P/R/R17004, March 30, 2017.

agency to continue to occupy its current location, when the tenant is unable to vacate the property when the lease expires.

Short-term holdovers and extensions may provide flexibility, but it comes at a cost, as long-term leases provide incentives for owners to provide lower rental rates and concessions such as periods of free rent. GSA officials stated that their strategy is to emphasize leases of over 10 years, because longer leases typically result in lower annual costs. Further, if GSA can better manage the pipeline of expiring leases to avoid holdovers and extensions, GSA could benefit by conducting fully competitive procurements for long-term leases.

GSA has a considerable number of leases set to expire in the near future. GSA determined that 39 percent of its leases would be expiring between FY 2017 to FY 2019. Of the current lease portfolio of 8,179 leases, 68 are in holdover (0.8 percent) and 1,013 are in extension status (12.4 percent). The short-term nature of holdovers and extensions causes uncertainty for tenants and lessors, and workload management issues for GSA. Negotiating extensions and resolving holdovers requires GSA to perform additional work before finalizing the long-term lease for that tenant. Also, when these short-term extensions expire, they add to the number of leases set to expire in a given year.

GSA's strategy to reduce its dependency on lease holdovers and extensions centers on working with customer agencies to emphasize the importance of earlier planning for upcoming lease expirations. GSA issued *Leasing Alert – Continuing Need Letters and Escalation Protocol* in July 2015 to establish a policy that GSA contact tenants for requirement development at least 36 months before a lease expiration date. Further, GSA has developed the Client Project Agreement to partner with clients to identify space needs earlier and provide options. As leases expire, upfront planning is important to allow for competitive procurements to achieve better rates for the tenant and taxpayer.

Meeting the Operations and Maintenance Needs of Federal Buildings

In recent years, GSA focused on minimizing maintenance costs while maintaining or improving building performance. However, GSA risks the opposite outcome. If operations and maintenance contracts include fewer services and lower performance requirements to reduce costs, building conditions might suffer.

Beginning in FY 2015, GSA focused on minimizing maintenance costs by targeting and consolidating operations and maintenance contracts whose costs exceeded industry benchmarks. In its *FY 2017 Congressional Justification*, GSA continued its efforts to reduce operating costs by holding funding levels for cleaning, maintenance, and building support consistent with the reduced level provided in the FY 2016 enacted funding.

However, GSA must weigh the costs and benefits of any change to its operations and maintenance services. For example, in some instances GSA is scaling back on running heating, ventilation, and air conditioning systems at night and on weekends to reduce maintenance and energy costs. However, this could increase the humidity in the air causing enough moisture for mold growth. Thus GSA's efforts to minimize operations and maintenance costs may have unintended consequences that result in more costly issues in the future.

The risk that minimized building operations and maintenance services could lead to increased costs in the future is especially problematic given the identified repair needs of GSA's building portfolio. In its FY 2016 Agency Financial Report, GSA reported that approximately 19 percent of its inventory's square footage was not in good condition and that it had approximately $1.21 billion in immediate needs to restore or maintain acceptable conditions in the building inventory. GSA also reported that it had additional building reinvestment needs of $1.88 billion over the following 2 years.

If GSA does not meet its building repair needs, the conditions could deteriorate further, leading to increased operating costs and more costly repairs in the future. GSA must ensure that its reductions to its current operations and maintenance costs still provide a safe, reliable, and functional environment.

Ensuring Effective Management of Energy Savings Performance Contracts and Utility Energy Service Contracts

Between September 2013 and May 2017, GSA awarded over $545 million in energy savings performance contracts (ESPCs) and utility energy service contracts (UESCs). However, ESPCs and UESCs are high-risk areas for GSA, with high-dollar contract values and long-term financial commitments. Without effective management, GSA may not realize projected savings from these contracts.

Under an ESPC, the government contracts with an energy service company to install energy-saving upgrades to buildings, and pays the energy service company from the projected energy savings resulting from the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and serving utility for energy management services, including energy and water efficiency improvements. The utility company pays most or all of the upfront costs, and the government repays the utility company through utility savings, appropriated funds, or a combination of the two. UESCs can also last up to 25 years.

However, ESPCs have presented a number of challenges for GSA. In our FY 2016 audit of ESPCs, we identified a number of issues. Specifically, we found that GSA:

- Risked paying for unrealized energy savings on 10 of the 14 ESPC task orders we audited and did not achieve energy savings on another task order;
- Did not comply with requirements for establishing fair and reasonable pricing;
- Awarded one ESPC task order for a building that may be sold, transferred, or otherwise disposed of; and

- Awarded an ESPC without an approved Measurement and Verification Plan for achieving energy savings.[6]

In February 2017, GSA PBS Facilities Management Service Program officials expressed their continued concern that actual ESPC savings may fall short of the expected savings calculated at the beginning of the contract. Also, they said it is a challenge to determine the correct circumstances for when operations and maintenance costs should be included in the contacts.

Likewise, UESCs also present a number of risks for GSA. The primary risks involved with UESCs include:

- Limited competition among utility companies;
- Use of sole-source contracts; and
- No mandated savings guarantees.

Due to the lack of competition and use of sole source contracts, GSA is vulnerable to paying a high cost for these projects. In addition, because UESCs are not mandated to guarantee savings upon project completion, upfront costs to execute UESC projects may not be offset by the estimates of the long-term savings.

For example, we issued an audit memorandum in September 2011 on a UESC for the Department of Homeland Security's St. Elizabeths campus in Washington, D.C. We found neither a basis for determining price reasonableness, nor justification for use of other than full and open competition.[7] Additionally, we found that funds were inappropriately "borrowed" from this task order to accomplish other work, understating actual obligations and resulting in a violation of appropriations law.

GSA officials should administer these unique contract vehicles appropriately to ensure that energy and cost savings are realized.

Challenge 3: Sustaining Technology Transformation Services, FAS

In May 2012, the President initiated the Digital Government Strategy. This strategy included three objectives: to enable the American people and an increasingly mobile workforce to access high-quality digital government information and services anywhere, anytime, and on any device; to ensure the government procures and manages devices, applications, and data in smart, secure, and affordable ways; and to unlock the power of government data to spur innovation and improve the quality of services for the American people.

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[6] *PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals* (Report Number A150009/P/5/R16003, September 27, 2016).
[7] *Analytical Procedures for Evaluating Cost Proposals Received Under a Utility Energy Services Contract at Saint Elizabeths* (Memorandum Number A090168-06, September 7, 2011).

Subsequent to the release of the Digital Government Strategy, personnel from the White House, the Office of Management and Budget, and GSA began to discuss a project designed to bring innovators drawn from the private sector to bring industry experience and innovation into the government. These officials decided to house this team in GSA and combine it with the Presidential Innovation Fellows program – a program created under the Digital Government Strategy to place private sector technologists in 12-month fellowships within federal agencies to produce solutions to government information technology problems.

In March 2014, GSA's Administrator announced the launch of 18F, which he described as "a team of experts and innovators that will work to simplify the government's digital services, making them more efficient and effective." In April 2016, GSA combined 18F, the Office of Citizen Services and Innovative Technologies, and the Presidential Innovation Fellows program to form the Technology Transformation Service (TTS). This new service was established to "transform the way government builds, buys, and shares technology."

Since its inception, GSA has faced challenges in operating this new service. In August 2016, the U.S. Government Accountability Office (GAO) found that 18F did not fully establish outcome-oriented goals, measure performance, and prioritize projects.[8] Then, in October 2016, we released a report that identified significant weaknesses in the financial management of 18F. Specifically, we reported that 18F did not have a viable plan to achieve full cost recovery, resulting in a cumulative net loss of over $31 million from its launch in FY 2014 through the third quarter of FY 2016. We also reported that 18F did not properly execute inter- and intra-agency agreements and lacked reliable internal controls over billings.[9] Our report included seven recommendations, including the need for GSA leadership to establish a viable plan to ensure full cost recovery of 18F projects and implement controls over 18F's reimbursable agreement process to ensure that work is not performed outside of a fully executed agreement. To date, GSA management has completed corrective actions designed to address five of our seven recommendations.

In a separate report issued in February 2017, we found that 18F routinely disregarded fundamental security requirements related to the acquisition of information technology and the operation of information systems.[10] Specifically, 18F did not comply with GSA information technology security requirements and circumvented the Chief Information Officer's authority. We concluded that management failures by 18F and GSA IT leadership caused the breakdown in compliance with Agency security requirements. Our report had six recommendations including that GSA identify all 18F information systems and ensure they are properly authorized, and ensure compliance with the Federal

[8] *Digital Service Programs: Assessing Results and Coordinating with Chief Information Officers Can Improve Delivery of Federal Projects* (GAO-16-602, August 2016).
[9] *Evaluation of 18F* (Inspection Report JE17-001, October 24, 2016).
[10] *Evaluation of 18F's Information Technology Security Compliance* (Inspection Report JE17-002, February 21, 2017).

Information Technology Acquisition Reform Act. GSA management has since completed corrective actions designed to address all six of our recommendations.

During the course of our evaluations, the U.S. Office of Special Counsel (OSC) became aware of whistleblower disclosures of wrongdoing in TTS made by the FAS Commissioner. OSC referred the allegations to GSA's Acting Administrator for investigation. The Acting Administrator submitted an initial report of GSA's investigation to OSC in April 2017. In that report, the Acting Administrator concluded, based in part on the findings of our evaluations, that TTS engaged in gross mismanagement and violated the Economy Act.[11] In a supplemental report provided in June 2017, the Acting Administrator notified OSC of a major reorganization that transferred TTS and its component offices under FAS.[12] According to the Acting Administrator, the intent of the reorganization was to "address the funding and management control issues" that had been identified within TTS.

Concurrently, we released the results of our investigation into the FAS Commissioner's complaint of whistleblower retaliation regarding the 18F program and TTS.[13] Our investigation found that the complainant engaged in a protected activity and that he was subjected to reprisal for engaging in that activity. Specifically, we found by preponderant evidence that the former GSA Administrator took actions toward the FAS Commissioner that threatened him with transfer or other adverse personnel action, and significantly changed his responsibilities with regard to oversight and control of the Acquisition Services Fund.

In July 2017, OSC reported to the President and Congress that GSA's response to the whistleblower's confirmed disclosures was unreasonable. In its report, OSC disagreed with GSA's assertion that the reorganization would address broader concerns about mismanagement or related questions about the benefit of TTS. OSC urged GSA to follow our office's recommendations and go beyond the reorganization to mandate stringent financial controls designed to prevent future losses.

As GSA continues to address the issues identified in our reports, it faces additional management challenges surrounding the merger of TTS into FAS. For example, GSA will need to ensure that the transition does not adversely affect operations and is effective to sustain TTS's mission to "improve the public's experience with the government by helping agencies build, buy and share technology that allows them to better serve the public." Among other things, GSA will need to ensure that an effective oversight and control structure is implemented for the organization and take steps to address the challenge of frequent leadership changes and high staff turnover in TTS that make it difficult to retain organizational knowledge.[14]

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[11] 31 U.S. Code 1535.

[12] *Change in GSA Organization – Federal Acquisition Service and Technology Transformation Service* (GSA Order ADM 5440.712, June, 28, 2017).

[13] *Investigation of Whistleblower Reprisal Complaint* (June 21, 2017).

[14] A more detailed discussion of GSA's challenges related to hiring and retention of staff is included later in this document under *Challenge 5: Efficiently Managing Human Capital to Accomplish GSA's Mission.*

Challenge 4: Making Agency Cybersecurity a Priority

The Office of GSA IT (GSA IT) is responsible for providing stable and secure technical solutions and services to meet the business needs of its internal and external customers, while ensuring compliance with information technology security-related laws, regulations, and guidance. Meeting these responsibilities is a significant challenge in an environment of competing priorities and increasingly sophisticated cyber attacks. Ineffective selection, implementation, and observation of information system security controls can result in business disruptions, damage to Agency resources, and the disclosure of sensitive information. In FY 2018, GSA IT will be challenged with strengthening information technology security controls in high-risk areas identified in recent audits conducted by GAO, GSA's independent auditor, and our office. Specifically, GSA IT will need to ensure that building control systems and sensitive information within GSA systems are adequately protected to prevent disruption of government operations and unauthorized information disclosure.

Protection of GSA's Building Control Systems against Cyber Threats

In December 2014, GAO reported that GSA had not fully assessed the risk of building control systems in a manner that is consistent with the Federal Information Security Management Act of 2002 (FISMA) or its implementation guidelines, nor had it conducted security control assessments for many of its building control systems.[15] GAO recommended that GSA assess the cyber risk of its building control systems to comply with FISMA and its guidelines. In 2017, GSA IT established an authorization and assessment framework to perform building assessments that will encompass more than 100 building systems. Continued efforts in this area are necessary as security weaknesses within GSA's building control systems may be used to disrupt government operations or gain unauthorized access to other systems and sensitive information under GSA's control.

Controlling Access to Sensitive Information in GSA Systems

In FY 2018, GSA will continue to be challenged with maintaining the integrity, availability, and confidentiality of sensitive information within its systems. This sensitive information includes, among other things:

- Procurement sensitive information, such as information related to bidding and prices paid, that must be kept confidential to protect the integrity of the acquisition process;
- Personally identifiable information, such as resumes and personal contact information, that must be kept confidential to prevent harm to individuals; and
- Sensitive but unclassified information, such as architectural drawings, that must be protected to ensure the safety of government employees and the public.

[15] *Federal Facility Cybersecurity: DHS and GSA Should Address Cyber Risk to Building and Access Control Systems* (GAO-15-6, December 12, 2014).

Our office has recently reported on threats to personally identifiable information maintained by GSA.[16] These threats originate from cyber security vulnerabilities, unintentional mishandling of GSA's data, and ineffective Agency responses to reported information breaches. Furthermore, we have identified instances in which GSA has not implemented comprehensive corrective actions to address recent audit recommendations in these areas.[17]

Additionally, the FY 2016 annual FISMA review of GSA's information system security program, GSA's FY 2016 agency financial statement audit, and an FY 2017 audit conducted by our office of the technical security controls for a GSA business application that houses procurement sensitive information, also identified weaknesses in GSA's information security controls.[18] Specifically, the audits and evaluation found vulnerabilities in risk, configuration, and access management that could be exploited to gain access to sensitive information. GSA management must improve its overall information technology security program to ensure that the Agency fulfills its responsibility as the custodian of sensitive information in systems operated by, or on its behalf.

Challenge 5: Efficiently Managing Human Capital to Accomplish GSA's Mission

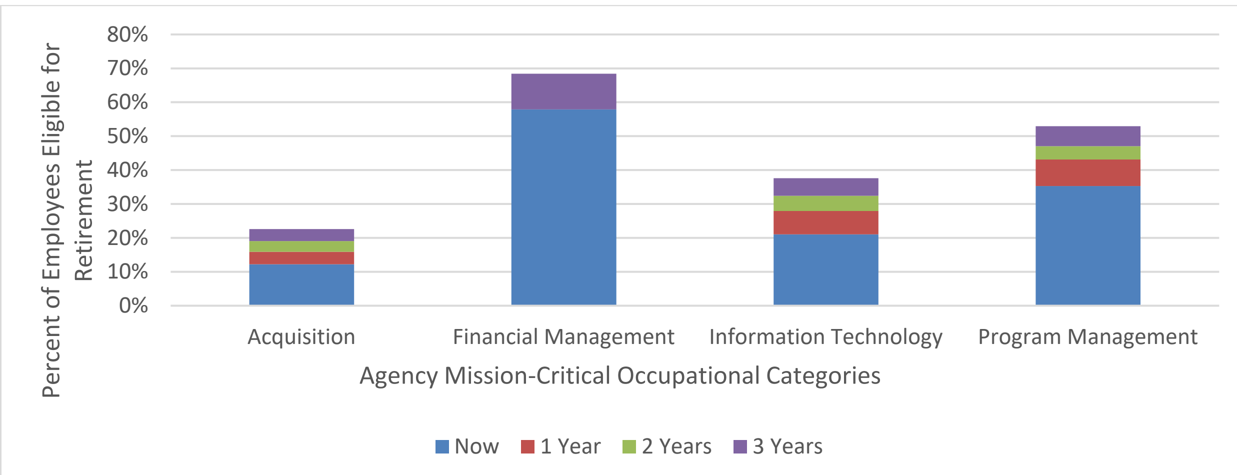
GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories – Acquisition, Financial Management, Information Technology, Program Management, Property Management, Realty, and Human Resources – that make up 43 percent of GSA's workforce. GSA faces the loss of veteran expertise through retirements as 15 percent of employees in these mission-critical occupational categories are eligible to retire now.[19] The importance of a skilled workforce is further highlighted by GSA's responsibility to provide value to customer agencies, comply with increased regulatory requirements, and mitigate the risk of information technology security threats.

Federal Acquisition Service. In 2016, we reported that GSA's FAS does not have a comprehensive human capital plan for its contract specialist workforce. This places a critical segment of the acquisition workforce at risk for inadequate staffing to fulfill its

[16] See for example, *Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment* (A140157/O/F/R/F15002, January 29, 2015) and *Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015* (A160028/O/T/F16003, September 28, 2016).
[17] *Implementation Review of Action Plan: Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment Report Number A140157/O/R/F15002, January 29, 2015* (Assignment Number A160045, January 26, 2017).
[18] *Fiscal Year 2016 Independent Evaluation of the U.S. General Services Administration's Compliance with the Federal Information Security Modernization Act of 2014 Report* (KPMG, LLP, December 16, 2016) and *Independent Auditor's Report on GSA's FY 2016 Financial Statements* (KPMG, LLP, November 8, 2016).
[19] All data percentages contained within this management challenge are based on data from May 31, 2017, unless otherwise noted.

mission.[20] Absent such a plan, FAS may hire employees without assessing its needs and hiring costs, considering turnover rates, and planning for upcoming retirements. In response to our report, FAS finalized its Human Capital Strategic Plan in February 2017 and plans to work closely with the Office of Government-wide Policy and the Office of Human Resource Management on the overall GSA acquisition workforce plan. As shown in *Figure 1*, between 20 and 70 percent of the staff in each FAS mission-critical occupation is eligible for retirement in the next 3 years. FAS must prepare to adapt to this loss of expertise.

Figure 1 - FAS 3-Year Retirement Eligibility by Mission-Critical Occupational Category



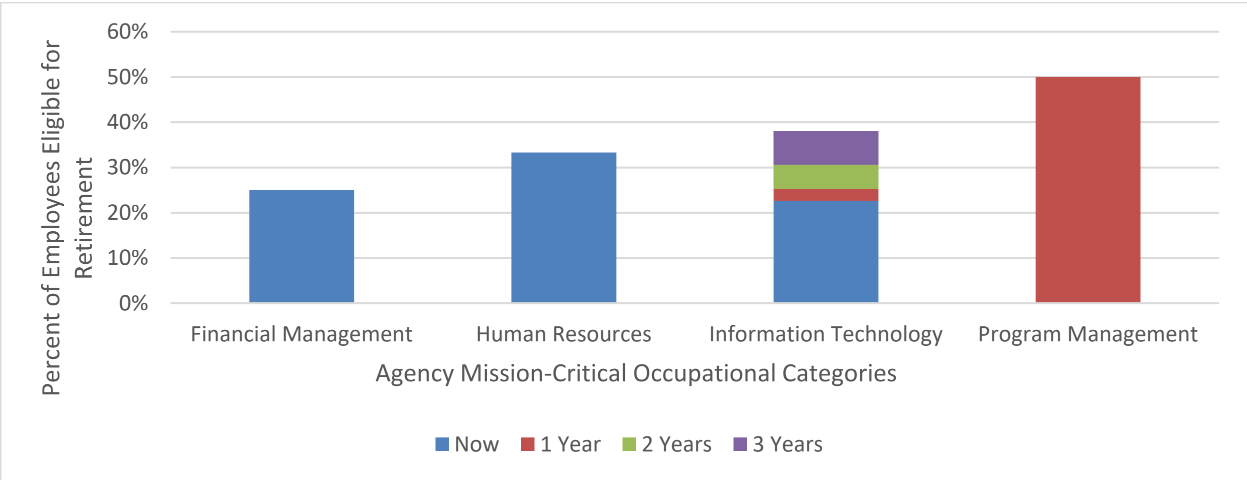
Prior to its June 2017 reorganization into FAS, TTS experienced frequent leadership changes and high staff turnover. Many of TTS's component offices were led by individuals serving in acting capacities. Further, 65 percent of TTS employees are in excepted appointments that generally last 2 years with possible 2-year extensions.[21] While this arrangement allows TTS to capitalize on emerging innovation from the private sector, it also contributes to high staff turnover, which hinders building institutional knowledge. FAS management must consider whether to continue this staffing model and, if so, how to develop institutional knowledge in this part of the organization.

GSA IT (Office of the Chief Information Officer). GSA IT aims to deliver high-quality information technology systems and services to its business partners across GSA. To do this, GSA IT must have a highly skilled cybersecurity staff to, among other responsibilities, respond to and recover from unintentional or intentional cyber-attacks, including those related to personally identifiable information. As illustrated by *Figure 2*, GSA IT faces the immediate retirement of 23 to 33 percent of its staff in three of its four mission-critical occupations. Given the competitive employment market in the Washington, D.C., area,

[20] *The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for its Contract Specialist Workforce* (Report Number A150033/Q/9/P16002, July 22, 2016).
[21] Excepted appointments are not competitive and enable agencies to fill jobs with special or unique circumstances using streamlined procedures.

GSA IT has been expanding its hiring of information technology security specialists in other locations, such as the cities of Kansas City, Denver, and Dallas. GSA must prioritize the availability of qualified cybersecurity staff to operate, maintain, and protect the Agency's information technology systems and data.

Figure 2 - GSA IT 3-Year Retirement Eligibility by Mission-Critical Occupational Category



Office of the Chief Financial Officer. GSA's Office of the Chief Financial Officer (OCFO) is subject to several laws that result in significant workload, such as the Digital Accountability and Transparency Act of 2014 (DATA Act) and the Improper Payments Elimination and Recovery Improvement Act of 2012. Our work on GSA's DATA Act implementation noted challenges with competing priorities and the availability of dedicated GSA resources to ensure continued progress.[22] For example, employees working on the DATA Act also have to perform their primary roles in GSA, and GSA received no additional funding for its required work under the Act. Similarly, in our FY 2015 improper payments report, we observed that the OCFO has constant turnover and may be understaffed, likely contributing to the audit findings.[23]

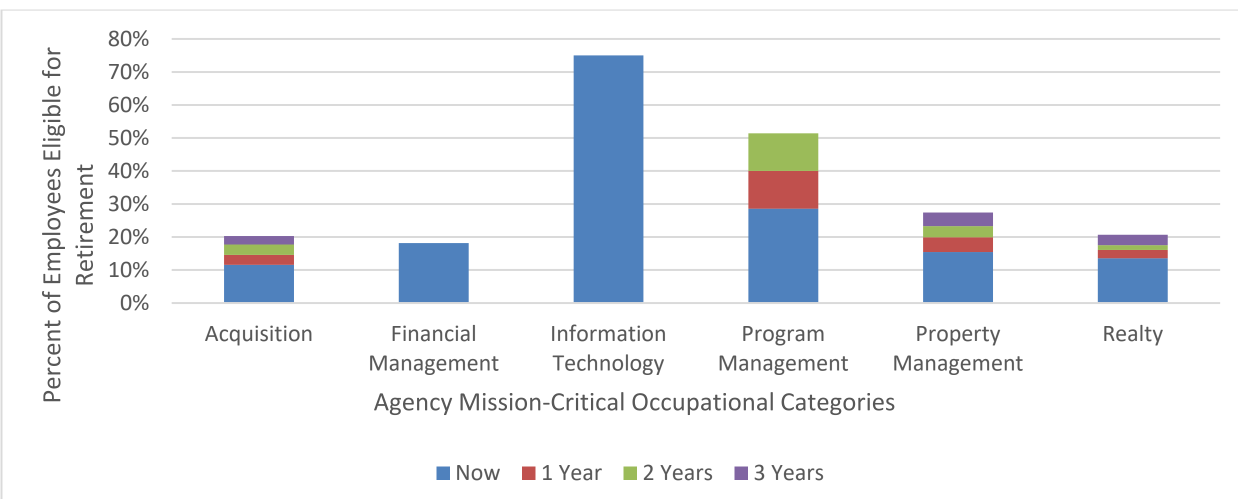
The OCFO, like other offices, also has to manage the loss of veteran expertise. *Figure 3* illustrates this concern by comparing the number of new hires to separations (executive level to Grade GS-13) within the OCFO during the last 12 months. The Chief Financial Officer is focused on more efficiently executing the OCFO's mission. While improved efficiency is a positive goal, we caution that too much streamlining could compromise internal controls.

[22] *The Office of Inspector General's Readiness Review of GSA's Implementation of the Digital Accountability and Transparency Act* (Audit Memorandum Number A150150-2, November 30, 2016).
[23] *GSA Did not Fully Comply with the Improper Payments Acts in FY 2015* (Report Number A160018/B/5/F16002, May 11, 2016).

Figure 3 - OCFO New Hires and Separations in Prior 12 Months

Public Buildings Service. As *Figure 4* illustrates, GSA's PBS will face upcoming retirements of mission-critical staff within the next 3 years. For example, PBS already relies heavily on external construction managers to support its construction program. PBS contracts with these consultants to provide technical expertise in contract administration activities that are vital to project success, such as cost estimating, source selection and evaluation, negotiating, project management, and acceptance of work. The potential retirement of more than 50 percent of its own internal Project Management staff within 3 years would create experience and technical voids in PBS's workforce, and force PBS to rely on consultants for administration of its over $1 billion dollar capital construction program.

Figure 4 - PBS 3-Year Retirement Eligibility by Mission-Critical Occupational Category



With a significant portion of its mission-critical workforce eligible to retire over the next few years, GSA officials must strive to maintain technical expertise as the Agency works to meet regulatory requirements and customer demands.

Challenge 6: Safeguarding Federal Facilities and Providing a Secure Work Environment

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 9,000 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience,* government facilities were designated as a critical infrastructure sector and GSA and the Department of Homeland Security were named as responsible agencies. In accordance with the directive, the Department of Homeland Security's Federal Protective Service is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities. Meanwhile, GSA is responsible for continuity of operations, providing governmentwide contracts for critical infrastructure systems, and coordination with the Federal Protective Service to ensure building occupant security.

Our reports have repeatedly pointed out that GSA's security clearance process for contractors needs improvement. We have repeatedly recommended corrective actions be taken to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to having site access. We have also recommended that background check information be shared with, and retained by, contract and project management staff.[24] During one audit of PBS procurements, we found limited evidence of coordination among the GSA Chief Security Office and PBS officials to ensure only suitable individuals could access federal buildings.[25] In another audit, we found that contractor employees who had not received security clearances were allowed to work on a construction project at a federal building and that subsequently, PBS had not taken all of the corrective actions to resolve the issues.[26]

Additionally, two evaluation reports we issued concluded that GSA-managed facilities are at an increased risk of unauthorized access. Unauthorized access to federal facilities increases the risk of a security event such as an active shooter, terrorist attack, theft of government property, or exposure of sensitive information. Specifically, we identified significant deficiencies in GSA's process for managing GSA issued Homeland Security Presidential Directive 12 Personal Identity Verification (HSPD-12 PIV) cards to

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[24] *Implementation Review of Corrective Action Plan Contract Administration for Group 10 Recovery Act Limited Scope and Small Construction Projects Report Number A090184/P/R/R12008* (Assignment Number A130130, March 28, 2014) and *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).
[25] *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).
[26] *PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* (Report Number A150120/P/2/R16002, March 17, 2016).

contractors and for ensuring the completion of contractor employee background investigations. We also found deficiencies in GSA's tracking and maintenance of contractor employee background investigation data stored within GSA's Credential and Identity Management System.[27] In addition, we found widespread use of unsecured, unregulated facility-specific building badges at GSA-managed facilities. GSA does not have adequate controls over these badges and cannot determine the extent of their associated security risks because it does not centrally monitor the management of the badges.[28] In response to these reports, GSA has agreed to address vulnerabilities associated with building-specific facility access cards and PIV cards.

GSA management maintains that it is working to improve its building security operations. In particular, it has been emphasizing the performance and implementation of facility security assessments. The facility security assessments evaluate a building's security risk and recommend countermeasures to mitigate the risk. We currently have an ongoing audit that is examining security risk assessments of GSA's buildings.

[27] *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards* (Report Number JE16-002, March 30, 2016).

[28] *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges* (Report Number JE16-003, March 30, 2016).